Fifth Session—Twenty-fourth Parliament
1962

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

BANKING AND COMMERCE

To whom was referred the Bills C-54, An Act to amend the Old Age Security Act; C-55, An Act to amend the Old Age Assistance Act; C-56, An Act to amend the Blind Persons Act; and C-62, An Act to amend the Disabled Persons Act.

The Honourable SALTER A. HAYDEN, Chairman

TUESDAY, FEBRUARY 13th, 1962 – APRIL 17

WITNESSES

DEPARTMENT OF NATIONAL HEALTH AND WELFARE

The Hon. J. W. Monteith, Minister; Dr. Joseph W. Willard, Deputy Minister; Mr. J. A. Blais, National Director, Old Age Security Division; and Mr. J. W. MacFarlane, Director Old Age Assistance, Blind and Disabled Persons Allowances Division.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

26536-3—1

THE STANDING COMMITTEE ON

BANKING AND COMMERCE

The Honourable Salter Adrian Hayden, Chairman

The Honourable Senators

*Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Bois
Bouffard
Brooks
Brunt
Burchill
Campbell
Choquette
Connolly (*Ottawa West*)
Crerar
Croll
Davies
Dessureault
Emerson
Farris
Gershaw
Gouin
Hayden
Horner
Howard
Hugessen
Irvine
Isnor
Kinley
Lambert
Leonard
*Macdonald (*Brantford*)
McDonald
McKeen
McLean
Molson
Monette
Paterson
Pouliot
Power
Pratt
Reid
Robertson
Roebuck
Smith (*Kamloops*)
Taylor (*Norfolk*)
Thorvaldson
Turgeon
Vaillancourt
Vien
Wall
White
Wilson
Woodrow—50.

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*Ex officio member.

(Quorum 9)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, February 8, 1962.

"Pursuant to the Order of the Day, the Honourable Senator Macdonald (*Cape Breton*) moved, seconded by the Honourable Senator Hnatyshyn, that the Bill C-54, intituled: "An Act to amend the Old Age Security Act", be read the second time.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Macdonald (*Cape Breton*) moved, seconded by the Honourable Senator Hnatyshyn, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—
Resolved in the affirmative."

Extracts from the Minutes of the Proceedings of the Senate, Monday, February 12, 1962.

"A Message was brought from the House of Commons by their Clerk with a Bill C-55, intituled: "An Act to amend the Old Age Assistance Act", to which they desire the concurrence of the Senate.

The Bill was read the first time.

With leave of the Senate,
The Honourable Senator Macdonald (*Cape Breton*) moved, seconded by the Honourable Senator Beaubien (*Bedford*), that the Bill be read the second time now.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Macdonald (*Cape Breton*) moved, seconded by the Honourable Senator Beaubien (*Bedford*), that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—
Resolved in the affirmative."

26536-3—1½

"A Message was brought from the House of Commons by their Clerk with a Bill C-56, intituled: "An Act to amend the Blind Persons Act", to which they desire the concurrence of the Senate.

The Bill was read the first time.

With leave of the Senate,
The Honourable Senator Irvine moved, seconded by the Honourable Senator Quart, that the Bill be read the second time now.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Irvine moved, seconded by the Honourable Senator Quart, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—
Resolved in the affirmative."

"A Message was brought from the House of Commons by their Clerk with a Bill C-62, intituled: "An Act to amend the Disabled Persons Act", to which they desire the concurrence of the Senate.

The Bill was read the first time.

With leave of the Senate,
The Honourable Senator Macdonald (*Cape Breton*) moved, seconded by the Honourable Senator Higgins, that the Bill be read the second time now.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Macdonald (*Cape Breton*) moved, seconded by the Honourable Senator Higgins, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MACNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

TUESDAY, February 13, 1962.

Pursuant to adjournment and notice the Standing Committee on Banking and Commerce met this day at 8.00 p.m.

Present: The Honourable Senators: Hayden, *Chairman*; Aseltine, Beaubien (*Bedford*), Beaubien (*Provencher*), Choquette, Connolly (*Ottawa West*), Croll, Dessureault, Gershaw, Gouin, Horner, Hugessen, Irvine, Kinley, Leonard, Macdonald (Brantford), McKeen, Monette, Pouliot, Power, Pratt, Reid, Smith (*Kamloops*), Taylor (*Norfolk*), Turgeon, Wall, White and Woodrow.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel; and the Official Reporters of the Senate.

The following Bills were read and considered: C-54, An Act to amend the Old Age Security Act; C-55, An Act to amend the Old Age Assistance Act; C-56, An Act to amend the Blind Persons Act; and C-62, An Act to amend the Disabled Persons Act.

On Motion of the Honourable Senator Aseltine it was RESOLVED to Report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bills.

The following witnesses were heard in explanation of the Bills:

The Hon. J. W. Monteith, Minister of National Health and Welfare; Dr. Joseph W. Willard, Deputy Minister of Welfare; Mr. J. A. Blais, National Director, Old Age Security Division; Mr. J. W. MacFarlane, Director, Old Age Assistance, Blind and Disabled Persons Allowances Division, all of the Department of National Health and Welfare.

It was RESOLVED to Report the Bills without any amendment.

At 9.30 p.m. the Committee adjourned to the call of the Chairman.

Attest.

James D. MacDonald,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON BANKING AND COMMERCE

EVIDENCE

OTTAWA, Tuesday, February 13, 1962.

The Standing Committee on Banking and Commerce, to which was referred Bill C-54, to amend the Old Age Security Act; Bill C-55, to amend the Old Age Assistance Act; Bill C-56, to amend the Blind Persons Act, and Bill C-62, to amend the Disabled Persons Act, met this day at 8 p.m.

Senator SALTER A. HAYDEN (*Chairman*), in the Chair.

On a motion duly moved and seconded it was agreed that a verbatim report be made of the committee's proceedings on the bills.

On a motion duly moved and seconded it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bills be printed.

The CHAIRMAN: Honourable senators, it is eight o'clock and we have a quorum.

Senator ASELTINE: Mr. Chairman, we are honoured in having the Minister of National Health and Welfare, the honourable Mr. Jay Waldo Monteith, with us tonight. We welcome him to our committee. I think it is the first time he has appeared before the Senate Standing Committee on Banking and Commerce.

The CHAIRMAN: We are very glad to have him, and we are going to make him work in a few minutes. We have four bills to deal with tonight; Bill C-54 to amend the Old Age Security Act; Bill C-55, to amend the Old Age Assistance Act; Bill C-56, to amend the Blind Persons Act, and Bill C-62, to amend the Disabled Persons Act. They all seem to have the same bit of thread running through them and I was going to suggest that we hear the explanations as though we were dealing with the bills en masse, without taking them up separately. Is that agreeable to honourable senators?

Hon. SENATORS: Agreed.

Hon. Mr. MACDONALD (*Brantford*): So far as that is possible.

The CHAIRMAN: Well, if we run into any difficulties we will deal with them then. Shall we follow the usual practice of asking the minister if there is any general statement he would like to make first in reference to the legislation?

The Honourable Jay Waldo Monteith, Minister of National Health and Welfare: Mr. Chairman, if I may say so, this, incidentally, is my first experience before this august body, and quite frankly, I did not know where to go when it was first suggested that I come here.

In summary form, I think about all I can say is that the purpose of the four bills is to increase the monthly pension or allowance, as the case may be, as has been described, by $10 a month. Now, in the assistance bills there is also an income ceiling aspect which has been increased accordingly. In fact, the income ceiling has been increased by 50 per cent more than the

straight increase in pensions or allowances. This was done because there have been many representations that there should be a little more encouragement to people who are on these allowance programs—this has nothing to do with the Old Age Security pensions—to get out and earn a little more.

Now, it might well be said, that an extra 50 per cent may not be much of an increase incentive, but for some time it was felt it was worth consideration, and that is why it appears in the bill. I do not think, Mr. Chairman, I have anything particular to add of a general nature, but if any questions are put, I shall be very pleased to answer them.

The CHAIRMAN: Would you tell me if in connection with any of these bills there is any extension of persons who are entitled to receive payment? Is the field enlarged?

Hon. Mr. MONTEITH: No, none whatsoever, no change in that respect.

Senator REID: I have one question, and the minister might not have the information with him, but I am interested in the number of persons who have left Canada permanently and have been in receipt of the Old Age Security. I know that when the act was before the house I protested against giving it to people who leave Canada, and I wondered if there are any figures of the number of people who have left.

Hon. Mr. MONTEITH: I believe, Mr. Senator, that Mr. Blais of my department has those figures and will be very happy to give them to the committee.

Mr. BLAIS: Mr. Chairman, the latest report we have as of December 31, 1961 shows that 8738 pensioners of a total of 938,000 are presently absent from Canada. Of that number, 194 have less than 25 years residence after age 21 and their pension has ceased to be paid because of insufficient residence. Of the balance, there is no actual way of determining which among them are going to be permanently absent, but we do have information from the individuals concerned that in 3800 cases they do not intend to come back. The remainder are absent from Canada anywhere from one month to a year, but we have no indication as to when they might return.

Senator REID: Of that number are they all Canadian citizens?

Mr. BLAIS: I have not that information at my finger tips.

Senator MACDONALD (*Brantford*): Do you ask them when they go away if it is their intention to stay away?

Mr. BLAIS: We endeavour to find out, but the majority of them tell us that they do not know how long they are going to be away.

Senator MACDONALD (*Brantford*): Actually, it makes no difference in so far as the payment is concerned whether they stay away forever or come back?

Mr. BLAIS: That is right.

Senator REID: What is the total payment per year for that number?

Mr. BLAIS: That is pretty hard to determine because of the varying periods of absence. It may extend from one month to years. They might choose to come back in six months, or a year or two, who knows?

Senator MACDONALD (*Brantford*): On that same point, could you tell us how much is being paid now to those who are outside Canada?

Mr. BLAIS: On the basis of a figure of 8738 people at $55 a month, for a month that would be multiplied by 55.

Senator HORNER: Might I ask what is the comparable treatment by, for instance the United States in regard to the old age pension with regard to people who live in or outside Canada?

The CHAIRMAN: You mean Old Age Security?

Senator HORNER: Yes, under the same principle.

The CHAIRMAN: They have not that information.

Senator CROLL: Mr. Minister, the Blind Persons Act, the Disabled Persons Act and the Old Age Assistance Act all have provincial contributing factors, more or less?

Hon. Mr. MONTEITH: Yes.

Senator CROLL: I gather that approaches have been made to the provinces with respect to obtaining their views as to whether they are prepared or not prepared to make contributions.

Hon. Mr. MONTEITH: No, the procedure has been, as in the past, that the day the resolution appears on the Order Paper the provinces are notified and the day the bill is available to the house a copy of the bill is immediately sent to the provinces. Then we simply await their action as to whether or not they wish to participate in their share of the increase.

Senator CROLL: That was the procedure that was adopted when the bills were originally introduced?

Hon. Mr. MONTEITH: I do not recall that at the moment. Perhaps Dr. Willard can say.

Dr. J. W. Willard, Deputy Minister of Welfare: Yes, Senator Croll, that was the standard procedure, with one exception, the old age security program.

Senator CROLL: I did not mention that.

Dr. WILLARD: I beg your pardon. The same procedure for these three bills was followed, yes.

Senator CROLL: For the moment I understood the minister to say that the procedure has been followed of notifying the provinces and you have not yet heard, I presume, from any of the provinces.

Hon. Mr. MONTEITH: Yes.

Senator ASELTINE: Are all the provinces participating in the $55 a month plan?

Hon. Mr. MONTEITH: Yes. I am afraid I do not recall clearly if when the increase came in from $46 to $55, whether they participated as of the commencement date. I am not sure of that. Could you answer that, Dr. Willard?

Dr. WILLARD: All but one province started from the day they could be paid. I believe at one other time earlier there was one province that increased the ceilings only but on the last occasion I believe that all but one came in as of the effective date of the federal legislation. We have of course had telephone conversations with many of the officials back and forth about those matters, about the bills, and the agreements, and when we will be able to proceed, so that we can have the administrative machinery moving as quickly as possible. But as to the decision of the Governments we have no information.

Senator CROLL: I gather from your conversation with the officials that you have had favourable responses from all. Is that going too far?

The CHAIRMAN: The minister can protect himself.

Hon. Mr. MONTEITH: I do not know of any unfavourable response, may I say it that way.

The CHAIRMAN: Supposing we put it this way: Have there been favourable responses?

Hon. Mr. MONTEITH: Yes. I know that the province of Ontario has publicly indicated their agreement to participate immediately.

The CHAIRMAN: What is the form that the communication takes?

Senator POULIOT: Mr. Chairman, I do not want to raise a point of order, but are we on Bill 54?

The CHAIRMAN: We are dealing with the four bills together.

Senator POULIOT: A distinction should be made between the payments to those over 70 and payments to those between 65 and 70. It is not the same thing at all, and it leads to confusion. It would be better to take each bill separately.

The CHAIRMAN: But the questions so far, Senator Pouliot, have not led to any confusion.

Senator MACDONALD (*Brantford*): Mr. Chairman, this present discussion relates just to the three bills, the Old Age Assistance Bill, the Blind Persons Bill, the Disabled Persons Bill. The security bill stands aside for the moment.

The CHAIRMAN: That is right.

Senator POULIOT: Oh, that is different.

The CHAIRMAN: I was curious to know what form the communication takes, when you are finally aware of the fact that a province is committed to make its contribution.

Hon. Mr. MONTEITH: A new agreement has to be signed.

Dr. WILLARD: There are agreements between the federal government and the provincial government, and the amounts of the ceilings, and so forth, have to be changed. The agreement has to be signed by the provincial minister and the federal minister, so you will know at that point.

Senator KINLEY: I would like to get this information on record: Is there any difference in the status of a Canadian citizen and an alien with regard to these pensions; or is it purely a matter of residence?

Hon. Mr. MONTEITH: It is purely a matter of residence.

Senator KINLEY: In Canada?

Hon. Mr. MONTEITH: Yes.

Senator KINLEY: If a young Canadian goes to the States with his parents, say, at the age of 12, and returns when he is approaching old age pension age, how long would he have to live in Canada before getting the pension?

Hon. Mr. MONTEITH: Ten years.

Senator KINLEY: Ten years immediately preceding?

Hon. Mr. MONTEITH: No, that is not correct. There are two ways of meeting the residence requirement: either through spending ten years here immediately preceding the seventieth birthday; or, if he has not so resided, but has resided in Canada for a total of 20 years prior to those 10 years, and in addition has resided for one full year immediately preceding his seventieth birthday, then he is also eligible. This would mean that if he left Canada at 12 years of age this period would count for six years. He could come back at 66, presumably, and meet the 10-year requirement.

Senator KINLEY: Does the same principle apply to all these acts?

Hon. Mr. MONTEITH: Yes, the requirement of 10 years of residence.

Senator CROLL: Mr. Chairman, may I just follow that up for a moment? Is it possible for any of the provinces to sign the agreement if they so wish, say tomorrow, without enabling legislation by their legislature?

Hon. Mr. MONTEITH: Yes, I understand it is possible that they now do have enabling legislation.

Senator MACDONALD (*Brantford*): Is that all the provinces?

Hon. Mr. MONTEITH: We have agreements with all the provinces.

Senator MACDONALD (*Brantford*): No, the enabling legislation. Can the minister say that there is now enabling legislation in each of the 10 provinces?

Hon. Mr. MONTEITH: No, I would not say that, without reference to my officials.

The CHAIRMAN: You mean by that, Senator Macdonald, so that the minister of the province could sign an amending agreement without getting specific authority from his legislature?

Senator MACDONALD (*Brantford*): That is what I would like to know.

Dr. WILLARD: Mr. Chairman, as I understand it, most of them do have enabling legislation so that they could proceed. Some may wish to go before their legislature and make the change, but Mr. MacFarlane, who has been working on this matter for some years, indicates the normal procedure has been to amend the agreements for the additional amount involved. It has not necessarily meant they have had to amend their provincial legislation.

The CHAIRMAN: The effect of that, Dr. Willard, is that the minister in the province can make the decision?

Hon. Mr. MONTEITH: It would probably be by Order in Council.

Senator MACDONALD (*Brantford*): He cannot only make a decision, but he can make a larger expenditure than is provided for under the present arrangement with the federal government, and he can make an expenditure which is beyond the amount which has been approved by his legislature?

The CHAIRMAN: Except, I would suggest this for your consideration, that if he did that without consulting the rest of the members of the cabinet he might not be minister for very long.

Senator MCKEEN: Mr. Chairman, with regard to that same matter, would that legislation allow him to pay retroactively?

Hon. Mr. MONTEITH: Yes, I understand this can be paid retroactively in the case of an agreement not signed until after the first of the next month.

Senator POULIOT: Mr. Monteith, I understand that the agreement of any province is required before any supplementary payment is made within that province?

Hon. Mr. MONTEITH: That is quite correct, Senator Pouliot.

Senator POULIOT: Now, to follow my argument, did Newfoundland agree to that supplementary payment?

Hon. Mr. MONTEITH: With respect to the $65 they have not agreed—at least, there has been no indication across my desk at the moment that they have agreed to this additional increase.

Senator POULIOT: Therefore, no one could say to the Newfoundland people: "You will have your pension before the province agrees to it"?

Hon. Mr. MONTEITH: No, that is quite true.

Senator POULIOT: That is what I said last night.

Hon. Mr. MONTEITH: That is quite true.

Senator POULIOT: And what about Nova Scotia? Did Nova Scotia agree to that?

Hon. Mr. MONTEITH: I do not think we have—

Dr. WILLARD: Mr. Chairman, the agreement cannot be signed until this legislation is approved by the federal Parliament. Therefore, there can be no actual agreement between the federal Government and a provincial Government until Parliament has passed this legislation.

Senator POULIOT: Were there any talks with the provinces in that regard?

Hon. Mr. MONTEITH: No, there were no talks prior to the introduction of the legislation in the House of Commons.

Senator POULIOT: But the press had a news item to the effect that two provinces had already agreed to it.

Hon. Mr. MONTEITH: Well, they may have agreed publicly to participate in this increase, but there has been no official indication to us as yet.

Senator POULIOT: They did not write to you in that respect?

Hon. Mr. MONTEITH: I have not heard as yet.

Senator POULIOT: When these four entirely different bills are submitted to the provinces for their agreement, do the provinces have to agree on all four, or could a province agree on only one proposal? Could it agree to the proposal with respect to disabled persons, or the one with respect to old age assistance, or the one with respect to old age security?

Hon. Mr. MONTEITH: There are separate agreements for each of the three assistance bills, which are the only three the provinces participate in.

Senator POULIOT: They have their choice? They may agree on one and not agree on another?

Hon. Mr. MONTEITH: That is correct. I would assume that they would not decide to agree on one and not on the other two, that is they would not distinguish between the three. I am only guessing on that, but it would seem logical to me.

Senator POULIOT: And when the press said that two provinces have agreed it was only going on hearsay?

Hon. Mr. MONTEITH: It could be only a public remark by a provincial minister or a premier, or whoever it might be. There has been no actual official notification to me as yet.

Senator POULIOT: And the provinces were not bound by those reports?

Hon. Mr. MONTEITH: I have had nothing as yet, Senator Pouliot.

The CHAIRMAN: The agreement, when it is signed, is the thing that binds the provinces.

Senator WALL: Let us assume, Mr. Minister, that one, two or three provinces decide that they are not in a financial position to avail themselves of the new privileges under these three bills with respect to old age assistance, blind persons and disabled persons. Federal moneys collected at the federal level from all the provinces of Canada are going to be used to pay the federal share of the contribution to this province. Would there not be an element of discrimination there, and could this legislation not have been framed so that the federal portion would go to these provinces irrespective of whether they were or were not able to raise their portion from current taxes?

Hon. Mr. MONTEITH: I would put it this way, that the legislation may not be 100 per cent correct. In fact, I do not think it is, and that is one reason why I have requested that a national welfare council be set up to look into some of these, what I call, inequities. I am thinking of certain things having to do with disability and blindness and old age assistance programs concerning earned income—the definition of earned income. I am thinking of certain things having particularly to do with the Blind Persons Act. To me there are several types of things of this sort that should be looked at and examined by a competent group of people with this in mind. As I say, this is one reason why I requested the setting up of a national welfare council to examine these things.

Senator WALL: Do you mean that each province in effect sets up its own operational definitions of blindness?

Hon. Mr. MONTEITH: No, the regulations are set as a consequence of federal-provincial determination and agreement. I think the last meeting we had with provincial ministers and officials to endeavour to weigh the pros and cons of certain regulations was in 1959. Some provinces agreed with certain things and other provinces agreed with other things. There has been an indecision in some provinces as to proper determination. No, the regulations are the same in all provinces. However, I do feel that some of these matters might well be looked into and examined a little closer.

The CHAIRMAN: I think Senator Wall's question was: Why shouldn't the contribution that the federal authority has decided to increase be payable in any event?

Senator WALL: That is right.

Hon. Mr. MONTEITH: It is a very simple matter. These three bills operate as a result of agreements signed with the provinces.

Senator CROLL: Mr. Minister, may I help you out here?

Hon. Mr. MONTEITH: I wish you would, senator.

Senator CROLL: I should remind the members of the committee that when we passed the Old Age Pension Act in 1926 one province did not participate for nine years and all the time we used the money from that province to pay old age pension benefits to all other provinces. So we are not going over new ground.

Senator POULIOT: Will the regulations be uniform for all provinces?

Hon. Mr. MONTEITH: They are uniform for all provinces.

Senator BEAUBIEN (*Bedford*): The same thing?

Hon. Mr. MONTEITH: Yes.

Senator MACDONALD (*Cape Breton*): I want to make one matter clear. In the Senate chamber last night I indicated that the province of Nova Scotia would be accepting this new arrangement. I took that from the fact that the premier of Nova Scotia gave a statement to the Halifax *Chronicle-Herald* indicating that that province would come into the arrangement.

Senator GERSHAW: Mr. Chairman, I have a question which has to do with names. The province of Alberta is doing away with the disability pension altogether and is giving a social dividend or allowance pension to everyone who on account of age and physical disability cannot obtain the necessities of life. Will those persons be entitled to this increase given under the Disabled Persons Act when they are not getting anything now under that name?

Hon. Mr. MONTEITH: I will ask Dr. Willard to explain the various angles of the two systems in Alberta.

Dr. WILLARD: Mr. Chairman, the province of Alberta had a disability allowance program before the federal government introduced its program. Under the Alberta program the disability test has been more an unemployability type of test rather than a permanent and total disability test such as is the case under the federal program. Most of their case load was shifted over onto the federal-provincial program under which they received reimbursement for 50 per cent. They carried on the other case load under their provincial disability program. Recently they have started to shift the persons on that provincial program over to a general social allowances program, which is a general assistance program. The federal Government, through the Unemployment Assistance Act, shares in the cost of assistance for persons who are unemployed and in need. Most of the persons shifted over to the social allowances program of the province will in so far as federal sharing is concerned be covered under the Unemployment Assistance Act. In so far as the federal Government is concerned there is no ceiling under the federal Un-

employment Assistance Act, so the extent of need which has to be determined in each individual case, and the requirements with regard to what the ceiling under that will be, is a provincial matter.

Senator POULIOT: Have you noticed any cases of accumulation of pension?

Hon. Mr. MONTEITH: Accumulation of pension?

Senator POULIOT: Yes.

Hon. Mr. MONTEITH: I do not think I quite understand you, Senator Pouliot.

Senator POULIOT: What I mean is this. Here you have the Old Age Assistance Act, the Disabled Persons Act, and the Blind Persons Act. If some of the beneficiaries under these pieces of legislation were to get unemployment benefits would they continue to get a pension just the same?

Hon. Mr. MONTEITH: Yes. Unemployment assistance, which is borne 50-50 by the province and the federal purse, may be given over and above the limit of $55,—or $65 as it is hoped to be. The province conducts its own needs test on the individual and if it says that a person should have $20 over whatever the allowance may be, then we will pay 50 per cent of that. If the province says that the person needs $10, then we will pay 50 per cent of that amount; but this is over and above the present $55 or the proposed $65.

Senator POULIOT: Mr. Monteith, the payments to people covered by these bills are made by your department?

Hon. Mr. MONTEITH: No, they are made by the provincial governments. We simply send them a monthly cheque.

Senator POULIOT: You refund the provinces?

Hon. Mr. MONTEITH: Yes.

Senator POULIOT: This is why, as long as a province has not agreed to pay its share, you cannot pay anything because the payment is made by the province?

Hon. Mr. MONTEITH: We can only pay upon application.

Senator POULIOT: Then there is no possibility to check whether people who receive unemployment insurance benefits would receive a pension at the same time? This is what I meant by accumulation.

Senator HUGESSEN: To put it another way: If a man is blind and over 70, what pension could he get?

Hon. Mr. MONTEITH: He would get the old age security. He automatically goes on old age security at that age and he cannot qualify for the blind pension. He just automatically shifts. It is the same as in the case of the Old Age Assistance Act, the beneficiaries automatically shift to Old Age Security upon reaching the age of 70.

The CHAIRMAN: They cannot draw under two?

Hon. Mr. MONTEITH: No. They can collect under any one of these four pieces of legislation, and also under unemployment assistance—not unemployment insurance but unemployment assistance.

Senator WALL: Would it be true that whether the province is paid the additional $10 or $20 per month the income limitations contained in these three bills would be enforced by the province?

Hon. Mr. MONTEITH: Under the Unemployment Assistance Act I think the greatest amount being paid in any province with the $55 payment is $24 a month. The $24 and $55 amount to $79.

Senator WALL: Let us assume the person earns $30.

Hon. Mr. MONTEITH: Then the income ceiling would not interfere.

Senator MACDONALD (*Brantford*): Mr. Minister, I see nothing in the Disabled Persons Act which limits any degree of payment when the beneficiaries attain the age of 70, and under clause 1 of the bill a married man can receive $2,340 a year.

Hon. Mr. MONTEITH: Including the allowance.

Senator MACDONALD (*Brantford*): Yes. Why can't he get a payment under this bill and under the Old Age Security Act? I see nothing in the Disabled Persons Act to prevent that.

Hon. Mr. MONTEITH: I mentioned this earlier, and I think I may have left the impression that only recipients under two acts, the Old Age Assistance and the Blind Persons, automatically went to Old Age Security at 70 years of age. I should have included the Disabled Persons Act as well. In other words, recipients under all of these three assistance acts automatically go to Old Age Security upon attaining the age of 70.

Senator MACDONALD (*Brantford*): I do not see that in the bill.

The CHAIRMAN: I should think it would be in the act.

Hon. Mr. MONTEITH: The Disabled Persons Act, under "Qualifications" says:

> Payments to a province pursuant to this section shall be made only in respect of a recipient who
>
> (c) is not in receipt of an allowance under the Blind Persons Act or assistance under the Old Age Assistance Act or an allowance under the War Veterans Allowance Act, or a pension under the Old Age Security Act;

Senator MACDONALD (*Brantford*): I did not see that in the bill before us.

Hon. Mr. MONTEITH: It is in the act itself.

Senator MACDONALD (*Brantford*): May I ask you also with respect to the payments under the three assistance acts? Under the bills before us, they all come into effect on the first day of February 1962. Now, with respect to the Old Age Security Act there will be no difficulty in making the increase of $65 under that act, because that will be done by the federal Government; but under the three other acts it will be necessary for agreements to be entered into between the various provinces and the federal Government. Now, nothing can be done until this bill receives royal assent. Do you think there is any chance of any of the provinces taking advantage of this bill and entering into agreements so that the blind and disabled and those who need assistance will get the benefit of the act before the first of February?

Hon. Mr. MONTEITH: Yes. I think some of the provinces will agree as from February 1st. Well, perhaps I should not say that.

Senator MACDONALD (*Brantford*): Why do you say that?

Hon. Mr. MONTEITH: Well, they have indicated they intend to.

Senator MACDONALD (*Brantford*): What indication have you got? I am only asking this so that the people in the country may know.

Hon. Mr. MONTEITH: I would not care to speak on behalf of the provinces. All I can say is that we have made it available when these bills receive royal assent to pay as from February 1—as from that date; and of course, as I say, I have had no official word from any province as yet, but I do anticipate at least several will probably take it up on the first of February dating.

Senator MACDONALD (*Brantford*): I have another question, a legal question I am putting to the chairman. The point I make is that the agreements now in effect are in respect to an act which will be repealed when this bill becomes an act.

The CHAIRMAN: Oh, it is not being repealed.

Senator MACDONALD (*Brantford*): Oh, yes.

The CHAIRMAN: The act is not being repealed.

Senator MACDONALD (*Brantford*): No, but the section is being repealed.

The CHAIRMAN: That is right.

Senator MACDONALD (*Brantford*): Now, the agreement is in connection with a section of an act, and that section is now repealed, and my point is, is the agreement still in effect?

Hon. Mr. MONTEITH: May I ask for clarification of your question, Senator Macdonald? Do you mean would the present agreement under which we are paying $55 still be in effect?

Senator MACDONALD (*Brantford*): Yes.

Hon. Mr. MONTEITH: Or would we have to have a new $55 agreement?

The CHAIRMAN: That is the question I was going to put to the minister; but I think the answer is in the amending section where the authority is to pay not exceeding by any recipient 50 per cent of $65 a month. All this is a ceiling. So if they have an agreement up to but not greater than $65 they can pay it.

Senator MACDONALD (*Brantford*): I have not seen the agreement, but I wondered if the agreement refers to the act as it was before this bill comes into effect.

The CHAIRMAN: I am sure it may refer to the $55, but even so this section would still say that, I think.

Hon. Mr. MONTEITH: The type of agreement which was signed the last time there was an increase, which said, "Whereas the Disabled Persons Act was amended with effect from November 1, 1957, to increase the maximum allowance from" so and so to so and so, "and to increase the maximum amounts of income allowed from" so and so to so and so. "And whereas the province proposes in accordance with the authority contained therefor in" such and such "to make available the said increased benefits to recipients within the province." That was the type of agreement at the last time of increase.

Senator MACDONALD (*Brantford*): All I want to do is to make sure that the old agreements were in effect.

Hon. Mr. MONTEITH: Sir, clause 9 of the act itself, the Old Age Assistance Act, reads as follows:

> Every agreement shall continue in force so long as the provincial law remains in operation or until the expiration of ten years from the day upon which notice of an intention to terminate the agreement is given by the Minister, with the approval of the Governor in Council, to the province with which the agreement was made.

Senator MACDONALD (*Brantford*): Until the provincial law remains in operation. I do not know what law you are referring to.

Hon. Mr. MONTEITH: Well, I would not know, and I had better get legal advice.

The CHAIRMAN: Maybe while you are doing that, I might point out to Senator Macdonald that the Interpretation Act provides in section 19, as follows:

> Where any act or enactment is repealed, or where any regulation is revoked, then, unless the contrary intention appears, such repeal or revocation does not, save as in this section otherwise provided,
>
> (c) affect any right, privilege, obligation or liability acquired, accrued, accruing or incurred under the Act, enactment or regulation so repealed or revoked,

So that if the agreement has the effect of creating that relationship, it is not disturbed.

Hon. Mr. MONTEITH: Provincial law means a law of a province that provides for the payment of old age assistance to the persons and under the conditions specified in this Act the regulations, and authorizes the province to enter into an agreement with the Government of Canada in accordance with this act.

Senator MACDONALD (*Brantford*): So there has to be a statute in a province before you can enter into an agreement?

Hon. Mr. MONTEITH: Yes.

Senator MACDONALD (*Brantford*): And you have not got those statutes before you so you do not know whether it will be necessary for the provinces to amend their statutes before they enter into an agreement?

Hon. Mr. MONTEITH: I don't know.

The CHAIRMAN: Dr. Willard said his view was that those statutes were broad enough.

Senator MACDONALD (*Brantford*): Oh, no, he didn't go that far.

The CHAIRMAN: Yes, he did.

Senator CROLL: Dr. Willard, when the last increase was made under these sections did they have to have enabling legislation at that time?

Dr. WILLARD: The last time the changes were made I understand it merely required entering into the agreements. It is my understanding from some of the officials I have discussed this matter with that we are concerned about how soon new agreements will be ready, and so on, and that that is all that is required. I cannot say for every province what the situation is, but this is the general impression I am under now.

Senator MCKEEN: I have a question to ask. What is the protection against a province if a person of that province is working in another province and attempts to get the extra $10?

Hon. Mr. MONTEITH: I do not suppose there would be any. It is purely residence in Canada.

Senator CONNOLLY (*Ottawa West*): Can you tell me what the cost to the federal Government is for each of these acts, these new programs, and what the costs are to the provinces, and if you have a breakdown by provinces for each of the assistance acts?

Hon. Mr. MONTEITH: My officials may have all these figures. They are all on Hansard, actually, in the House of Commons. The officials are getting these figures together for me now; we will have them available in a very few moments.

The CHAIRMAN: In the meantime, are there any further questions? Senator Wall?

Senator WALL: Mr. Chairman, I would like later to ask the minister a rather basic question but at the present time I am looking at these income allowances and I notice under the Blind Persons Act two anomalies that I am sure there must be an explanation of. First, in paragraph 2 (c) (i) where it deals with an unmarried person without a dependent child or children. That person is allowed a ceiling income of $1,380, and an unmarried person with dependent child or children is allowed a ceiling income of $1,860. But nowhere do I see mention made of a married person with dependent child of children. Surely there must be people of that category somewhere.

The CHAIRMAN: Under the Blind Persons Act the chief person, the unmarried person or the married person is the blind person.

Senator WALL: But the blind person could be a married person.

The CHAIRMAN: Or he could be unmarried.

Senator WALL: Yes, but we are making provisions in this bill for an unmarried person without and an unmarried person with but no married person with a dependent child or children. That is the one thing that bothers me. In that section dealing with the unmarried person with dependent child or children the ceiling is $1,860. I find it difficult to compare that with the $1,980 ceiling under the Disabled Persons Act or under the Old Age Assistance Act, which is $120 more. Surely a blind person with dependent children should be entitled to at least the same amount as a married person living with a spouse under old age assistance or a disabled person living with a spouse under the Disabled Persons Act. It just does not make sense to me.

Hon. Mr. MONTEITH: If I may just mention this, Senator Wall: Traditionally persons under the Blind Persons Act have had a larger earned income allowance.

Senator WALL: They should.

Hon. Mr. MONTEITH: Now, as a consequence, and I am not getting down at the moment to what you consider may be a discrepancy between these two classes, but if I may put it this way, each of these allowances has been raised in these bills—

Senator WALL: I do not agree.

Hon. Mr. MONTEITH: I am going to ask my officials to try to explain this one: An unmarried person without a dependent child and an unmarried person with a dependent child or children.

Senator WALL: Where is the provision for the married person with a dependent child?

The CHAIRMAN: It comes under (iii).

Senator WALL: It does not mention a married person with children.

Hon. Mr. MONTEITH: If he has children they would automatically be included.

Senator LEONARD: What is the income ceiling of a married man who is not living with his spouse?

Senator POWER: He doesn't get anything.

Hon. Mr. MONTEITH: I would suggest it might be $1,380.

Senator LEONARD: It seems to me he would have no limit.

The CHAIRMAN: He does not qualify.

Senator LEONARD: He qualifies as a blind person. These are restrictions upon his income.

The CHAIRMAN: He still gets the $65. Possibly there are no restrictions to his income if he does come under these classes; perhaps he is better off.

Senator WALL: Can I have that assurance?

The CHAIRMAN: You would not want it.

Senator KINLEY: Mr. Chairman, may I get this on the record: I would like to know how fringe benefits are calculated. Are fringe benefits regarded as income to those who qualify under these acts? I am referring to fringe benefits given in labour contracts.

Hon. Mr. MONTEITH: I do not know what the regulations say as to fringe benefits. What do the regulations say with regard to fringe benefits flowing from employment agreements, Dr. Willard. Are fringe benefits considered as earned income? Apparently there is nothing in our legislation as to that, Senator Kinley.

Senator KINLEY: I would say it is very important, when you are dealing with the amendment it is important to know about these fringe benefits. You will want to be sure that it is not added to their income before they qualify or if they do qualify at all.

Hon. Mr. MONTEITH: Actually I doubt if there would be much in the way of fringe benefits applicable here. In other words, people getting any of this assistance probably would not be regularly employed full time.

Senator KINLEY: Suppose that a man is drawing a pension from a company when he retires.

Hon. Mr. MONTEITH: Well, that pension would be considered income.

Senator KINLEY: What about Workmen's Compensation Act payments where he may be entitled to certain benefits when he is disabled?

Hon. Mr. MONTEITH: Those would be considered as income.

Senator KINLEY: A disabled person cannot get both?

Hon. Mr. MONTEITH: No.

Mr. Chairman, I think these figures were asked for. I can now give them for all the four acts:

Under old age security the increase in 1962-63 was estimated to be $113.4 million, coming to an estimated total outlay of $737 million for the year;

The increase in old age assistance—of which we pay 50 per cent— our 50 per cent amounts to $7.2 million, which will raise our old age assistance total contribution to $37.8 million.

Under the Disabled Persons Act, our share will be $3.3 million, bringing our total cost to $19.6 million.

Under the Blind Persons Act, of which we pay 75 per cent, our share is $.825 million, bringing our total cost to $4.9 million.

Senator CONNOLLY (*Ottawa West*): Does the minister have the figures of payments made by provinces?

Hon. Mr. MONTEITH: I do not have any of the provinces broken down. The total provincial share would be $37.8 million under old age assistance, $19.6 million under the Disabled Persons Act, and $1.6 million plus under the Blind Persons Act.

The CHAIRMAN: By the way, I should point out to the committee, in answer to Senator Wall's question, that under the Blind Persons Act the Governor in Council can make regulations regarding many things. He can make regulations as to income. I read from the Blind Persons Act, section 11, subsection (1):

> The Governor in Council may make regulations...providing for
>
> (*f*) the definition of income for the purposes of this Act, and the manner in which income is to be determined, including the income of a recipient and his spouse, and the determination of the amount thereof that each shall be deemed to receive, whether they live together or separate and apart;

Senator WALL: Mr. Chairman, that is not good enough. We are embedding other categories into a statute.

The CHAIRMAN: That is a matter of argument, I would think.

Senator MACDONALD (*Brantford*): Mr. Chairman, I wonder if the minister would tell the committee how the amount of $10 was arrived at. Why is the increase set at $10 and not at $12 or $15 or some other figure. Is the $10 related to the cost of living or to any other basis?

Hon. Mr. MONTEITH: To some degree, probably, but I think this was a decision of cabinet, certainly not my individual decision—the amount of increase—and I think I would have to let it go at that.

Senator MACDONALD (*Brantford*): Could you help me out with respect to the disabled person's pension. Does a person have to be totally and permanently disabled in order to get this disabled person's pension? Are there regulations to determine what total and permanent disability means?

Hon. Mr. MONTEITH: The act just reads: "totally and permanently disabled," and I would ask Dr. Willard to expand on that a little, if he would.

Dr. WILLARD: Mr. Chairman, the problem of determining "totally and permanently disabled" is one that is very difficult in any disability allowance program. There has been the same difficulty in the United States, where they have similar legislation. An effort has been made under this particular legislation to try to obtain a fair measure of uniformity. The regulations set out the definition of permanent and total disability. The original definition that was brought in at the time the legislation was first introduced was a narrower one. At that time we had a case load something of the order of 30,000 people. The definition developed to be broader, and now we have a case load of some 50,000.

If I may just read the definition, it says:

> For the purposes of the act and these Regulations, a person shall be deemed to be totally and permanently disabled when suffering from a major physiological, anatomical or psychological impairment verified by objective medical findings which is likely to continue indefinitely without substantial improvement and, as a result thereof, such person is severely limited in activities pertaining to normal living.

Senator POWER: How does that differ from the original one?

Dr. WILLARD: I have not it with me, but perhaps Mr. MacFarlane has it.

There are many disabled persons in Canada who do not come under this definition, but who are in receipt of social allowances and receive federal financial support to those allowances, to the extent of 50 per cent under the Unemployment Assistance Act. The Unemployment Assistance Act, when it was first introduced, had a threshold which had the effect of excluding from federal sharing the unemployables. Subsequently, an amendment was adopted whereby the federal government would share in all cases. That means that we are sharing federally half the cost of many disabled people who are in the category of unemployables, who are disabled but not permanently and totally disabled. They may be partially disabled—disabled substantially, but not within the definition of "totally and permanently disabled."

Just now I mentioned the situation in Alberta where you have disabled persons for whom we are sharing half the cost under the unemployment assistance program.

Senator WALL: Dr. Willard, you mentioned definitions and regulations, that definitions and regulations are the same for all provinces, but somebody interprets these definitions and regulations. How do we get conformity?

Dr. WILLARD: The procedure is this, that the individual who is disabled goes to his private physician and gets the physician to make out, or fill out, a form which requires certain medical data as to his condition. This form is forwarded to the provincial authority, and at that stage there is also the question as to whether the individual can come under the income ceiling. The provincial authority will also carry out the investigation necessary to determine whether or not the person is within the income limit. The medical documentation goes before a medical review board, and on that board there is a provincial doctor

and a federal doctor. Periodically the doctors are brought together here in Ottawa and certain guide material is worked out, so that there is a real effort to obtain uniformity of action across the country.

We analyze the statistics by type of disability—heart conditions, various mental conditions, and so forth—and we try to look at the variations among provinces, and get them together and discuss why these variations might happen.

In addition, a medical review board, when it gets the report from the applicant's doctor, may decide that there is not enough information in it, and that they would like to have a specialist's report. They would then ask the applicant to go and have a medical examination by a specialist.

Senator MACDONALD (*Brantford*): At whose expense?

Dr. WILLARD: I think in this case it is at provincial-federal government expense, whereas in the initial case the form completed by the applicant's own physician may be at his own expense. This is the way we try to bring about some uniformity.

I think I should make one or two points which are important when you look at the statistics from different provinces. First of all, there is the income test. This reflects differences in the numbers of recipients on these programs in different provinces. For instance, take the old age assistance program, a program where there is no disability test. In the case of Ontario 13 per cent of the persons aged 65 to 69 are on that program. In the case of Newfoundland 60 per cent of the people are on it. This reflects employment conditions for people 65 years of age and over. It reflects a whole variety of things such as savings during their lifetime, and so on. So the income factor alone can make a tremendous variation from province to province.

Senator MACDONALD (*Brantford*): Do you say 69 per cent of the people in Newfoundland are under this program?

Dr. WILLARD: Sixty per cent.

Senator MACDONALD (*Brantford*): Sixty per cent of the population between the ages of 65 and 69 are on the old age assistance?

Dr. WILLARD: Yes, as of March 31, 1960.

Senator CROLL: Surely not. Is that not, of the applicants?

Dr. WILLARD: Sixty per cent of the people in the 65 to 69 age group.

Senator MACDONALD (*Brantford*): What about the other provinces? It is really not fair to pick on Newfoundland without getting the other provinces.

Dr. WILLARD: I have taken the two extremes, and we shall find the others are ranged in between. This is one factor.

There is another factor about the incidence we note from data in the sickness survey, and if you pro-rate the registrations, say, of the Canadian National Institute for the Blind on the basis of population you will find there is not an even incidence across the country.

Senator HOLLETT: You mention Newfoundland. May I ask if there is any other province with a comparable figure? I would feel more comfortable if you could find one.

Dr. WILLARD: These are the figures for a year later—

The CHAIRMAN: Take another province.

Senator MACDONALD (*Brantford*): Let us have all the provinces.

Dr. WILLARD: In the case of Alberta, 20.77 per cent; British Columbia, 14.33 per cent; Manitoba, 18.21 per cent; New Brunswick, 35.84; Newfoundland, 59.36; Nova Scotia, 26.71—

The CHAIRMAN: Prince Edward Island?

Dr. WILLARD: Ontario, 13.09; Prince Edward Island, 23.56; Quebec, 32.07; Saskatchewan 20.53; Northwest Territories, 63.68; Yukon, 25.13.

Senator HUGESSEN: You say that is largely as a result of the income qualification, the difference in income between the people of that age group in the different provinces?

Dr. WILLARD: In the case of the Northwest Territories, where the population is very small in this age group, there are other factors. Generally speaking, for the other provinces of Canada this would be one of the factors.

To get back to the disability allowance program, I just want to say that the variation from province to province is the result of the culmination of a number of factors. One is the difficulty in applying the uniform test which we tried our best to work out in the provinces. Another is the question of the means test itself. Another is the question of the incidence of disability. Another is a variation in the age distribution from province to province, and there are substantial differences here. These are some of the factors which make for the variations you see in the statistics.

Senator POWER: May I ask if these provisions apply to Eskimos in the Northwest Territories?

Dr. WILLARD: Yes, sir.

Senator POWER: They do apply to Eskimos?

Dr. WILLARD: Yes, sir.

Senator POULIOT: Is the full amount of the pension paid to those who are partly disabled?

The CHAIRMAN: The statute says "totally".

Dr. WILLARD: Mr. Chairman, it is total and permanent disability within this definition. The partially disabled are by and large on a social allowance, and the federal Government is sharing half the cost of that through unemployment assistance.

The CHAIRMAN: I would like to ask a question, Mr. Minister, with respect to the Old Age Security Act. I notice that it says there shall be established an account in the consolidated revenue fund to be known as the old age security fund to which revenues attributable to old age security are to be deposited on a certain formula, and that if there is not enough money at the end of the year, in the opinion of the minister, to take care of the old age security payments the minister may borrow money, but the loan will appear as a loan against the old age security fund.

Hon. Mr. MONTEITH: Yes.

The CHAIRMAN: I understand that for the year 1960-61, the old age security fund was buoyant enough to carry its obligations without loans for that year; is that right?

Hon. Mr. MONTEITH: Yes, that is right.

The CHAIRMAN: Now, in the year 1961-62, as the result of the increases that will be provided by this bill, is it expected that the revenues that will go into the fund from the taxes that are so earmarked will provide enough money, or do you expect there will be loans against the fund?

Hon. Mr. MONTEITH: This, I think, Mr. Chairman, I must answer in very much the same way as I did in the House of Commons, and that is to the effect that this is a budget matter—a matter for the Minister of Finance. At the time of the increase in 1957 it was the Minister of Finance who dealt with the matter. At the time the fund was increased from the 2:2:2 formula to the 3:3:3 formula it was the Minister of Finance who dealt with it, and I am afraid I will have to simply leave it at that and say that here again it is a matter for the Minister of Finance.

The CHAIRMAN: Then, let me put the question this way: Can you tell me to what extent this fund was in credit for the year 1961?

Hon. Mr. MONTEITH: The last time I heard—and I do not know whether I am speaking out of turn now, or not—I do not know where I heard it, but I did hear that there was a credit of about $16 million.

The CHAIRMAN: $16 million?

Hon. Mr. MONTEITH: Yes, but I do not know just when that was.

The CHAIRMAN: The increases provided by this bill would amount to more than $16 million, would they not?

Hon. Mr. MONTEITH: Yes.

The CHAIRMAN: So unless you expect more buoyant revenues it would look as though you will have to have loans?

Hon. Mr. MONTEITH: It might be, I would think, unless more buoyant revenues take sufficient care of it.

Senator MACDONALD (*Brantford*): The deputy minister mentioned a moment ago that the not fully disabled person gets benefits through the unemployment assistance fund.

Dr. WILLARD: Mr. Chairman, the federal Government can share—if a province finds such a person is unemployed and in need. The federal Government will share half the cost.

Senator MACDONALD (*Brantford*): But can that go on indefinitely? Can a person benefit from that aid indefinitely? I know if he is out of work he can not benefit from the unemployment insurance fund indefinitely.

Hon. Mr. MONTEITH: He can benefit under the unemployment assistance as long as the province sees fit to give him assistance.

The CHAIRMAN: Have you made your report for the year 1960-61? I see that section 12 of the Old Age Security Act says:

> This act shall be administered by the Minister of National Health and Welfare who shall submit to Parliament annually as soon as possible after the termination of each fiscal year, if Parliament is then in session . . . a report covering the administration of this act and including an account of receipts and disbursements during the previous fiscal year.

That would be from March 31 to the...

Hon. Mr. MONTEITH: Yes, it is then tabled. I got caught one year without a report being tabled, and I do not want it to happen again.

Senator POWER: I am not quite clear about this, but I have been led to believe that some difficulty will arise in the case of people drawing the war veterans' allowance and the old age pension in that, if my information is accurate, you deduct from the old age pension the amount received...

Hon. Mr. MONTEITH: No, it is the other way around.

Senator POWER: You deduct from the war veterans' allowance the amount received under the old age security act?

Hon. Mr. MONTEITH: Yes.

Senator POWER: So that a person receiving the war veterans' allowance will receive $10 less than he received before?

Hon. Mr. MONTEITH: That is correct, although the war veterans' allowances were increased by some 20 per cent at the last session of Parliament. Such persons will continue at the present level.

Senator POWER: If the province agrees to this that person will receive $10 less in his war veterans' allowance?

Hon. Mr. MONTEITH: Which is compensated for by $10 more under this act.

Senator POWER: So he will be "even Stephen". He does not profit by this legislation?

Hon. Mr. MONTEITH: I would like to mention, Senator Power, that he did benefit some few months ago.

Senator POWER: Do you think that is going to satisfy the old soldier?

Senator MACDONALD (*Cape Breton*): I wonder if I could ask the officials two questions with respect to this means test? When they are speaking of the income of a person who owns his home is a stated amount of income taken, or is it worked out on a percentage value of the house? Secondly, with respect to savings, if a person had $1,000 in savings is that regarded as an income of $200 a year for the five-year period?

Mr. MACFARLANE: There are two quite different tests. If it is real property the calculation may be made in one of several ways, but the procedure usually followed is that it is five per cent of the assessed value.

The CHAIRMAN: Even if he is living in the house himself?

Mr. MACFARLANE: If it is property used as a home. If it is revenue bearing property then the revenue is taken. With respect to personal property, the old age assistance program has a test in which there is a $1,000 exemption for a single person and a $2,000 exemption for a married person or whatever amount the province chooses to fix in its agreement. That amount is exempt, and the balance is divided by 60 or over the five-year period.

The CHAIRMAN: What you do there is to say that for the purposes of these statutes what is ordinarily capital is made income?

Mr. MACFARLANE: That is correct.

Hon. Mr. MONTEITH: That is over and above a certain amount.

The CHAIRMAN: Such a person would be smarter to put the money in the bank and get interest on it. How would you get out of that?

Hon. Mr. MONTEITH: Yes, but this is to qualify for old age assistance. For the sake of argument, if a person had a reasonable amount of money I do not think the average taxpayer would care to see that person applying for and receiving the benefit—that is, provided he was reasonably well off.

The CHAIRMAN: It depends on whether "means" includes capital and income, or just income.

Hon. Mr. MONTEITH: You put a capitalization on an income basis over a certain amount.

Senator MACDONALD (*Brantford*): May I ask a question. If you read *Hansard* of Thursday last you will see that Senator Choquette asked a question with respect to the word "may" in line 8 of the bill. Section 3(1) reads:

> Subject to the provisions of this Act and the regulations, a monthly pension of sixty-five dollars may be paid in respect of every person who. . .

Senator Choquette asked if "may" also means "shall".

Hon. Mr. MONTEITH: I have heard this discussed, Senator Macdonald, several times, and I am told that "may" very often does not mean "shall" in Government legislation. I don't know, but we take it to mean "shall".

The CHAIRMAN: I can tell you what the Interpretation Act says:

> In every act, unless the context otherwise requires, "shall" is to be construed as imperative, and "may" as permissive.

Senator MACDONALD (*Brantford*): That may answer the question.

The CHAIRMAN: And I think the answer here may be that before we think of changing "may" into "shall" in the amending bill, we should think of the original act. As I understand it an application must be made in order to get the benefit and therefore there is no inherent right in the sense that if you do not make application you can come back, say, two years later and apply for benefits dating back two years. I think that is the reason for the use of "may" instead of "shall".

Senator ASELTINE: Very good.

Hon. Mr. MONTEITH: I am glad to hear the explanation.

The CHAIRMAN: Thank you.

Senator MACDONALD (*Brantford*): Mr. Chairman, I have heard it said that when a man or woman becomes 70 years of age the Income Tax Branch immediately credits him or her with the receipt of the Old Age Security pension.

The CHAIRMAN: No.

Senator ASELTINE: No.

Hon. Mr. MONTEITH: No.

Senator MACDONALD (*Brantford*): That is not correct?

Hon. Mr. MONTEITH: No.

Senator MACDONALD (*Brantford*): So a person is not required—

Hon. Mr. MONTEITH: Not required to take or suffer.

Senator MACDONALD (*Brantford*): A person is not charged with an increase in income of $65 a month upon attaining the age of 70 years unless he or she makes application for it?

Senator ASELTINE: And receives the money.

The CHAIRMAN: Honourable senators, are you ready for the question on all these bills?

Hon. SENATORS: Question!

The CHAIRMAN: Shall I report the bills without amendment?

Hon. SENATORS: Agreed.

Senator ASELTINE: I should like to add a word and thank the minister and his officials for the very fine explanation they have given us on these bills, and the answers they have made to the numerous questions asked.

Hon. Mr. MONTEITH: Thank you.

The committee thereupon adjourned.

Fifth Session—Twenty-fourth Parliament

1962

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

BANKING AND COMMERCE

To whom was referred the Bill C-68, An Act to amend the Export Credits Insurance Act.

The Honourable SALTER A. HAYDEN, Chairman

WEDNESDAY, FEBRUARY 28th, 1962

WITNESS

Mr. Hugh T. Aitken, C.A., President and General Manager, Export Credits Insurance Corporation.

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

26685-8—1

THE STANDING COMMITTEE ON BANKING AND COMMERCE

The Honourable Salter Adrian Hayden, Chairman

The Honourable Senators

*Aseltine	Gershaw	Pouliot
Baird	Gouin	Power
Beaubien (*Bedford*)	Hayden	Pratt
Beaubien (*Provencher*)	Horner	Reid
Bois	Howard	Robertson
Bouffard	Hugessen	Roebuck
Brooks	Irvine	Smith (*Kamloops*)
Brunt	Isnor	Taylor (*Norfolk*)
Burchill	Kinley	Thorvaldson
Campbell	Lambert	Turgeon
Choquette	Leonard	Vaillancourt
Connolly (*Ottawa West*)	*Macdonald (*Brantford*)	Vien
Crerar	McDonald	Wall
Croll	McKeen	White
Davies	McLean	Wilson
Dessureault	Molson	Woodrow—50.
Emerson	Monette	
Farris	Paterson	

*Ex officio member.

(Quorum 9)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 27, 1962.

Pursuant to the Order of the Day, the Senate resumed the adjourned debate on the motion of the Honourable Senator Blois, seconded by the Honourable Senator Buchanan, for second reading of the Bill C-68, intituled: "An Act to amend the Export Credits Insurance Act".

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Blois moved, seconded by the Honourable Senator Buchanan, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

26685-8—1½

REPORT OF THE COMMITTEE

WEDNESDAY, February 28, 1962.

The Standing Committee on Banking and Commerce to whom was referred the Bill C-68, intituled: "An Act to amend the Export Credits Insurance Act", have in obedience to the order of reference of February 27, 1962, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

SALTER A. HAYDEN,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, February 28, 1962.

Pursuant to adjournment and notice the Standing Committee on Banking and Commerce met this day at 11:30 a.m.

Present: The Honourable Senators:—Hayden, (*Chairman*); Aseltine, Baird, Beaubien (*Bedford*), Beaubien (*Provencher*), Brunt, Burchill, Choquette, Connolly (*Ottawa West*), Crerar, Croll, Gershaw, Horner, Hugessen, Irvine, Kinley, Leonard, Macdonald (*Brantford*), Molson, Paterson, Pratt, Reid, Taylor (*Norfolk*), Turgeon, Vaillancourt, Vien, Wall, White and Woodrow.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel; and the Official Reporters of the Senate.

Bill C-68, An Act to amend the Export Credits Insurance Act, was read and considered.

On motion of the Honourable Senator Macdonald (*Brantford*) it was Resolved to report recommending that atuhority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

Mr. Hugh T. Aitken, C.A., President and General Manager, Export Credits Insurance Corporation, was heard in explanation of the Bill.

It was Resolved to report the Bill without any amendment.

At 12:30 p.m. the Committee adjourned to the call of the Chairman.

Attest.

James D. MacDonald,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON BANKING AND COMMERCE

EVIDENCE

OTTAWA, Wednesday, February 28, 1962.

The Standing Committee on Banking and Commerce, to which was referred Bill C-68, to amend the Export Credits Insurance Act, met this day at 12 noon.

Senator SALTER A. HAYDEN (*Chairman*), in the chair.

On a motion duly moved and seconded it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On a motion duly moved and seconded it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bill be printed.

The CHAIRMAN: Honourable senators, we have before us Bill C-68, to amend the Export Credits Insurance Act. We have as our witness Mr. Hugh T. Aitken, the President and General Manager of the Export Credits Insurance Corporation. We have had Mr. Aitken before us on previous occasions and if he performs to the same degree of excellency as he did on those occasions we are going to get all the information and explanations we need. Would you care to make a statement, Mr. Aitken, first, or shall we start off with questions?

Senator REID: I think we should have explained to us the purpose or necessity of the increase in the number of directors.

Hugh T. Aitken, C.A., President and General Manager, Export Credits Insurance Corporation: Mr. Chairman, and senators, the bill, as you can see, is a simple one, containing just two clauses, one to increase the number of directors from five to six, and the second to increase the lending authority from $200 million to $300 million.

With regard to the directors of the corporation, we have two members and five directors, comprising a board of directors of seven. These are practically all senior civil servants. The chairman is Mr. James A. Roberts, Deputy Minister of Trade and Commerce, and Mr. K. W. Taylor, C.B.E., Deputy Minister of Finance is a member. The directors are myself, as president and general manager; Mr. A. F. W. Plumptre, C.B.E., Assistant Deputy Minister of Finance, Mr. L. C. Audette, Q.C., Chairman of the Tariff Board; Mr. Denis Harvey, Assistant Deputy Minister of Trade and Commerce; and Mr. A. E. Ritchie, Assistant Under-Secretary of State for External Affairs. We require four as a quorum. These people are very busy, and occasionally when we have to have meetings on very short notice we have difficulty in forming them, and so would like authority to have another member appointed to the board. This is the reason for asking for the amendment.

With regard to the change from $200 million to $300 million, the act was amended in June 1961 providing this separate fund of $200 million for long-term lending. Since that authority was granted the corporation has actually signed contracts totalling $41 million for long-term financing.

One was for a paper mill in Chile, another for locomotives to Argentina, another for locomotives in Brazil, and the fourth also involved a Brazilian sale.

The CHAIRMAN: Mr. Aitken, when you are considering one of these long-term contracts and really underwriting it, do you consult the administrators of the export permits, or do you simply read the schedule to see if you are dealing with something in which there should be a permit?

Mr. AITKEN: If there were any responsibility on the part of the exporter to obtain a permit that would be his responsibility and not ours. However, our practice has been never to insure materials of war, for example. We have occasionally been asked to insure surplus products which have become surplus equipment which someone has bought on a second-hand basis from perhaps War Assets Disposal; and we have never in our 16 years had anything to do with war materials.

Senator CROLL: Mr. Aitken, you have insured shipments to Cuba?

Mr. AITKEN: Yes, sir, and we continue to do so.

Senator CROLL: Tell us what shipments you have insured that have gone to Cuba.

Mr. AITKEN: Yes. Let me take the last five years. Up until 1960 we insured, on the average $200 million a year, a wide range of consumer goods. We have never insured capital goods. In 1961, although we continued to insure policy-holders who had been previously with us, and we told exporters who came to us, had a market in Cuba and intended to continue selling to them, that if they would give us a spread of risk, we would agree to their doing so; but notwithstanding our willingness to continue to insure, our only concern in providing insurance to exporters is (a) that the terms of credit are reasonable, and (b) that there is a reasonable expectation the exporter will be paid. The volume of business we did in Cuba in 1961 was less than 15 per cent of what we had done in each of the previous five years. The actual commodities which we insured in 1961 were pharmaceuticals, and supplies for making paper.

Senator CROLL: Of the shipments that we made to Cuba of synthetic rubber, did you insure any of that?

Mr. AITKEN: Not any.

Senator CROLL: Sheet or strip steel?

Mr. AITKEN: No, not in 1961.

Senator CROLL: Well, in 1962?

Mr. AITKEN: I know of none in 1962. The exporter reports to us in the following month in which shipment is made. So we would not know until February what was shipped in January.

Senator CROLL: Electric transformers?

Mr. AITKEN: No.

Senator CROLL: Industrial specialties—chemical specialties?

Mr. AITKEN: I know of none, unless a pharmaceutical manufacturer had exported some.

Senator CROLL: You said you had covered some pharmaceuticals?

Mr. AITKEN: About 50 per cent in 1961 pharmaceuticals, and 50 per cent supplies for paper.

Senator CROLL: Aircraft engines and parts?

Mr. AITKEN: No, sir.

Senator CROLL: Helicopters?

Mr. AITKEN: No, sir.

Senator CROLL: Military crash helmets?

Mr. AITKEN: No.

Senator CROLL: Parachutes?

Mr. AITKEN: No.

Senator CROLL: You have insured none of these?

Mr. AITKEN: No, none.

Senator CROLL: The chairman asked you a question with respect to export permits which you look at. How many—

Mr. AITKEN: We don't care about export permits. That is the exporter's responsibility. He has to conform with the laws of the country; that is his baby.

Senator CROLL: How many of those shipments required and obtained export permits?

Mr. AITKEN: I wouldn't think any. Pharmaceuticals don't require them.

Senator CROLL: Those are the only ones you insured?

Mr. AITKEN: In 1961, and as far as we know in 1962. The interesting thing is that the main two reasons for the reduction in volume of business we insured is that, first of all, the Cubans haven't the cash to authorize their importers to buy, so the commodities which go from Canada to Cuba are quite restricted, and Cubans buy just what they desperately need. Secondly, although we are prepared to insure the exporter, we cover 85 per cent and he covers 15 per cent of the risk, so that exporters themselves have become increasingly chary about risking their 15 per cent, and ask for a letter of credit. In fact, in December 1961 there was $91,000 shipped under our policies to Cuba covered by an irrevocable letter of credit, confirmed by a bank in the United States, and the reason the exporter had the insurance was that he was afraid something might happen during the period of manufacture.

Senator CROLL: Now, under section 21 of the act—

Mr. AITKEN: We have never done any business with Cuba under that section, senator.

Senator CROLL: I understand there was an Order in Council with respect to section 21?

Mr. AITKEN: Not with regard to Cuba.

Senator CROLL: Was that in regard to China?

Mr. AITKEN: No, sir.

The CHAIRMAN: To Brazil?

Mr. AITKEN: Eight years ago, yes.

Senator REID: Is it possible for materials to be brought here from the United States and then shipped to Cuba which are not shown in your figures? I know that is a serious statement, but is it possible that that has been done?

Mr. AITKEN: I have read in the papers that happened a number of times, but it would not affect us at all.

Senator REID: Would there have been an export permit issued for such goods to go to Cuba?

Mr. AITKEN: That may have happened senator, but if so it would be under the authority of the people responsible for issuing export permits, and we have nothing to do with the issuing of export permits.

Senator REID: Who would issue export permits?

Mr. AITKEN: The department which issues export permits is, I believe, the Department of Trade and Commerce. They are responsible for giving authority for the export of goods such as strategic materials to sensitive areas.

That is my understanding. They are responsible for giving authority for export of goods from Canada of strategic materials and to sensitive areas. That is my understanding.

The CHAIRMAN: Mr. Aitken, you say you have committed yourself for $41 million in contracts and we gave you $200 million in June of last year and you are now asking us for another $100 million. What have you got cooking in the stove, that is going to consume all of these dollars?

Mr. AITKEN: We have signed contracts totalling $41 million under the authority of that particular section, and we have given guarantees to exporters under that section. $200 million was previously provided for in the act and the Act authorized the corporation to give guarantees to exporters so as to help them obtain financing for capital goods exporter. Under the guarantee provisions of this section we have given guarantees totalling $31 million. Then in addition we have given commitments to exporters based on cabinet approval totalling $114 million. Summing up, we have $41 million contracts signed, $31 million guarantees and $114 million of commitments given to exporters to enable them to conclude their contracts; that totals $186 million and we had available $200 million, so we have only $14 million left.

The CHAIRMAN: You would have to close up shop pretty soon.

Mr. AITKEN: Yes, Mr. Chairman.

Senator KINLEY: What about the guarantees that were given on the sale to Cuba of the boats of the merchant marine?

Mr. AITKEN: That has nothing to do with us.

Senator KINLEY: What about the insuring of the fish products going to Cuba, for which there is a considerable market?

Mr. AITKEN: We have not insured any fish to Cuba since 1960. As I explained to honourable senators we have been continuing to provide insurance to Cuba but it is only in respect of consumer goods. About three years ago our board decided, because of the economic and political climate, that it would be inadvisable to provide insurance on capital goods.

Senator KINLEY: They have been getting fish, though.

Mr. AITKEN: Well, if they have they have been paying cash.

Senator KINLEY: And what about potatoes?

Mr. AITKEN: They have been paying cash for them.

Senator KINLEY: And flour?

Mr. AITKEN: Cash, unless of course that the exporter may be shipping on his own credit and not insuring.

The CHAIRMAN: Are there any other questions?

Senator LEONARD: Are you still keeping the term to a limit of five years?

Mr. AITKEN: With regard to capital goods insurance, yes.

Senator LEONARD: I see by reports from the United Kingdom that they are going beyond five years now.

Mr. AITKEN: The United Kingdom announced they would go past five years only in cases where they had incontrovertible evidence that other countries were prepared to back sales of large projects on terms going beyond five years, and as I believe honourable senators know, the Export Credit Insurance Board belongs to an international association or organization known as l'union d'assureurs des Crédits Internationaux headquartered at Berne, and in that organization we have a gentleman's agreement that the maximum credit term appropriate to capital goods sold on suppliers' credit is five years, but realizing that

we are all government organizations and thus subject to direction by the government we have agreed to exchange information in cases where the government has instructed the organization to go past five years, and in two cases the United Kingdom has gone past five years.

Senator LEONARD: I notice in the *Economist* that Keith Joseph says that 75 per cent of the credit business was for within five years and that about 25 per cent of the business was for beyond the five-year period.

Mr. AITKEN: I think the gentleman is in error when he says 75 per cent—by guess would be over 95 per cent.

Senator CROLL: Mr. Aitken, you have said to us that you are not concerned with export permits, that you are insuring consumer goods to Cuba. Will you define consumer goods?

Mr. AITKEN: Consumer goods are those which are used and are not producers' goods, like pharmaceuticals, such goods as are sold in the retail store or you would purchase in the market, goods that are eaten or used up by the general public.

Senator CROLL: That is the kind of goods that you have been iusuring?

Mr. AITKEN: Yes, and then also we insure supplies for making paper, which are used in factory processes.

Senator CROLL: Have you finished your answer?

Mr. AITKEN: Yes.

Senator CROLL: And you are not in any way concerned with export permits which are issued by the Department of Trade and Commerce?

Mr. AITKEN: Not anything to do with us at all.

Senator CROLL: You have no knowledge of how many were issued other than from the records of Parliament—that is the only information you have?

Mr. AITKEN: That is right.

Senator KINLEY: Have you any connections with importers in Santo Domingo and Haiti?

Mr. AITKEN: We have done a fair volume of consumer goods business with the Dominican Republic. We have insured one medium term capital goods contract for an amount of between $300,000 and $400,000. We have never done any capital goods business in Haiti but we have insured a fair volume of consumer goods. We have had a few small losses in Haiti.

Senator KINLEY: What is your line between consumer and capital goods? What about tractors and combines?

Mr. AITKEN: Usually they would be sold on short term, but if they were of a high unit value we would consider them in a quasi-capital category. For tractors and combines we had gone as far as three years where the government was a buyer, and we got paid one-third on delivery and the balance paid quarterly or semi-annually over a three-year period.

Senator BURCHILL: You used the expression "long-term". Do you mean five years?

Mr. AITKEN: I mean in excess of five years—, ten, fifteen or twenty years.

Senator BURCHILL: What is your average term?

Mr. AITKEN: In the long-term or short-term class?

Senator BURCHILL: Short term.

Mr. AITKEN: We go up to 180 days maximum, and 85 per cent of all the business we do is in that category.

Senator LEONARD: What about a contract on an export to a country with nonconvertible currency?

Mr. AITKEN: We insure in United States dollars, Canadian dollars or pounds sterling.

Senator KINLEY: Is the premium always the same?

Mr. AITKEN: The premium varies with the country, the credit term and our view of the risk.

Senator KINLEY: What is your lowest rate?

Mr. AITKEN: The lowest rate on any policy we have is 15 cents per $100.

Senator PRATT: In the report of your board there is a reference to 247 policies. Does that mean 247 exporters?

Mr. AITKEN: There could be two or three exporters who have a general policy covering all their export sales and also a single policy covering a medium term credit contract where they are selling a bulk order on credit extending beyond the normal period, in which case there could be, perhaps there are, two or three exporters who have one or two policies so if there are 247 policies in force there could be 243 or 244 exporters.

Senators will be interested to know that in the past year our volume of policy holders has gone up 25 per cent.

Senator PRATT: From 190, was it, to 247?

Mr. AITKEN: Yes, and from 247 to 307 today.

Senator PRATT: The sum total, taking the 1960 report, is $63 million insured and not over, say, 10 per cent of those are classified as exporters in Canada. Why is it that the policy is not accepted more by exporters generally?

Mr. AITKEN: There are slightly over 4,000 exporters listed by the Department of Trade and Commerce of whom, in our view, about 2,000 have their names listed only because of the odd export order in which they are interested. Of the remaining 2,000 about 1,500 export only to the United States, leaving about 500 whom we could hope to insure, because we do not insure to the U.S.A. There is a private commercial concern for that purpose. We were set up as a Government entity to provide insurance where it is not provided by private concerns. We think we have reached about 60 per cent of our total potential as far as exporters are concerned.

Senator PRATT: Is it so that you only give policies to exporters who give all their business to you in one year?

Mr. AITKEN: That is our general practice, so as to have a broad spread of risk, but we are flexible and are prepared to discuss any proposal an exporter puts up to us; but we will not generally agree, say, if he ships to 10 countries, to have him select one particular country and say, "I want to insure just Cuba and nobody else."

Senator PRATT: Why not accept coverage for just one country, but have your rate adjusted according to the level of risks there exist in different countries?

Mr. AITKEN: Theoretically that is possible.

Senator PRATT: After all, this is insurance.

Mr. AITKEN: But, to our way of thinking, it is a little like a person owning a building wanting to insure just one room in it against fire.

Senator MACDONALD (*Brantford*): Mr. Aitken, do you insure exports of Government corporations?

Mr. AITKEN: We are prepared to do so, but have never done so. We have had discussions with people like Polymer and the organization that makes the cobalt bomb, Atomic Energy of Canada Limited. We have never insured them, but our board concluded we had authority to do so under the act, and it seemed not unreasonable to do so because they are in the manufacturing and selling business and not in the credit business.

Senator MACDONALD (*Brantford*): What about the Wheat Board?

Mr. AITKEN: We have never done so.

Senator MACDONALD (*Brantford*): Have you the power to do so?

Mr. AITKEN: If the Wheat Board were the seller we would have the power, I believe, to do so; but my understanding is that the Wheat Board, as a rule, sells through the grain dealers, and we have insured the grain dealers in connection with those sales made to iron curtain countries—to Poland, Yugoslavia and Czechoslovakia—under section 21 of the act. We have insured $415 million under section 21.

Senator MACDONALD (*Brantford*): Have they been repaid?

Mr. AITKEN: We have never had any claim under any policy issued under section 21.

Senator MACDONALD (*Brantford*): What about the very recent sale of wheat to communist China?

Mr. AITKEN: We were not involved.

Senator MACDONALD (*Brantford*): Do you know why? You were involved in the sale to other iron curtain countries like Poland, Yugoslovia and so forth.

Mr. AITKEN: Yes.

Senator MACDONALD (*Brantford*): How were you not involved in the sale to communist China?

Senator BAIRD: They had a Government guarantee.

Mr. AITKEN: In my view the reason it was decided it should not be handled through the corporation was that under section 21 of the act there is a limitation of $200 million liability. At the moment we have $153 million out under that section 21, which means that to handle the Chinese sale would mean we could not look at anything else. As of January 31st the total outstandings under section 21 was $145 million, so to handle that sale would be to use up all the rest.

Senator CROLL: How much did the Chinese sale involve?

Mr. AITKEN: I do not know because we were not involved.

Senator CROLL: Then how do you know you did not have enough funds available?

Mr. AITKEN: Because the amount being discussed at the time we were involved was $50 million.

Senator MACDONALD (*Brantford*): Then you were involved for a time?

Mr. AITKEN: It was discussed with us.

Senator MACDONALD (*Brantford*): But what about the increase to $300 million?

Mr. AITKEN: But that $300 million would never apply, I hope, to wheat. That $300 million is for capital goods sold on long-term credit, and wheat is a consumer item, and the sales that have been made on credit extended to a maximum of three years.

Senator MACDONALD (*Brantford*): How much would the sale of wheat to Poland be?

Mr. AITKEN: The current outstandings—

Senator MACDONALD (*Brantford*): No, I want the total sale.

Mr. AITKEN: All right. The total wheat sales to Poland, to date, are $112 million of wheat and $14 million of barley. That is $126 million.

Senator MACDONALD (*Brantford*): So you did insure the $126 million?

Mr. AITKEN: That is over a seven-year period.

Senator MACDONALD (*Brantford*): What is the largest amount you have guaranteed?

The CHAIRMAN: Do you mean "insured"?

Senator MACDONALD (*Brantford*): Yes, insured.

Mr. AITKEN: For Poland?

Senator MACDONALD (*Brantford*): Yes.

Mr. AITKEN: The maximum outstanding was $59 million.

Senator MACDONALD (*Brantford*): And how much is outstanding now?

Mr. AITKEN: $53 million.

Senator MACDONALD (*Brantford*): You say that with this increase of $100 million you will not be able to insure loans to such countries as China?

Mr. AITKEN: This is for financing. Perhaps I might just briefly say that in our act we have three distinct sections. The first is section 14, where we have $200 million, under which the corporation can insure on its own responsibility. The present ceiling or the amount committed under that $200 million is $63 million. Then we have a separate $200 million, under section 21, which is also for insurance, and under which these wheat sales were insured. Then we have a third $200 million, which is this particular section we are discussing now, section 21A, which is for long-term financing, and it is that amount we are asking to have increased by $100 million to $300 million. It is for long-term financing of capital goods.

Senator MACDONALD (*Brantford*): Only for capital goods?

Mr. AITKEN: Yes, only for capital goods.

Senator MACDONALD (*Brantford*): Tell me this, what is the total amount for all purposes?

Mr. AITKEN: If this bill goes through?

Senator MACDONALD (*Brantford*): Yes.

Mr. AITKEN: $700 million.

Senator MACDONALD (*Brantford*): And it started at what figure?

Mr. AITKEN: $100 million in 1944.

Senator KINLEY: Do you protect goods in transit?

Mr. AITKEN: We do not insure goods as such. Our policies insure the Canadian exporter against non-payment by the foreign buyer.

Senator KINLEY: You do not insure against the risk of the preservation of goods in the foreign market?

Mr. AITKEN: No, but we can insure consignment stocks held abroad, so as to assist exporters in making rapid delivery, and against confiscation.

Senator KINLEY: That is still in the ownership of the—

Mr. AITKEN: —the exporter.

Senator PRATT: Have there been any discussions between the Association of Exporters, and so forth, and your organization as to making the facilities of the corporation more generally available among them?

Mr. AITKEN: We not infrequently get proposals put up by organizations such as the Canadian Exporters' Association, the Canadian Chamber of Commerce, the Canadian Manufacturers' Association; and a number of the representations made by them, together with recommendations and on the advice of our advisory council, have resulted in amendments to the act, such as this one we are considering now.

Senator BRUNT: If there were more occasional or frequent meetings with representatives of the Exporters' Association, to work out the coverage which

would be available in various areas and in various markets, I think the services of this association could be built up pretty well. Every one in the exporting business, with experience, knows that generally the exports from Canada are on tighter terms in many markets than either banker's credit, sight draft against documents and so forth; and there is not the general leverage to the buyers abroad in terms from Canada that there are from other countries. That is largely because of the insurance abroad. That of course has to be worked out as to whether the insurance risks are taken care of in the premiums. Various markets have different conditions and premiums have to vary. Close examination by exporters, frequently, with your organization should be very valuable.

Mr. AITKEN: We are always happy to discuss with exporting groups the ideas they have; but in our experience our policy holders are our biggest boosters.

Senator LEONARD: We incorporated the Export Finance Corporation of Canada Limited last year. Have you any contact with them?

Mr. COUTTS: We work very closely with them.

Senator LEONARD: Have you any account of how they are getting on?

Mr. AITKEN: They have not been made as much use of as they had hoped.

The CHAIRMAN: Shall I report the bill without amendment?

Carried.

The committee thereupon concluded its consideration of the bill.

Fifth Session—Twenty-fourth Parliament 1962

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

BANKING AND COMMERCE

To whom was referred the Bill S-7, An Act respecting Muttart Development Corporation Ltd.

The Honourable SALTER A. HAYDEN, *Chairman*

WEDNESDAY, FEBRUARY 28th, 1962

WITNESSES

Mr. K. R. MacGregor, Superintendent of Insurance, and Mr. Elgin Coutts, Solicitor and Secretary for Muttart Development Corp. Ltd.

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

26683-3—1

THE STANDING COMMITTEE ON BANKING AND COMMERCE

The Honourable Salter Adrian Hayden, Chairman

The Honourable Senators

*Aseltine	Gershaw	Pouliot
Baird	Gouin	Power
Beaubien (*Bedford*)	Hayden	Pratt
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Croll	McKeen	White
Davies	McLean	Wilson
Dessureault	Molson	Woodrow—50.
Emerson	Monette	
Farris	Paterson	

*Ex officio member.

(Quorum 9)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, February 22nd, 1962.

Pursuant to the Order of the Day, the Honourable Senator Brunt moved, seconded by the Honourable Senator Pearson, that the Bill S-7, intituled: "An Act respecting Muttart Development Corporation Ltd.", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Brunt moved, seconded by the Honourable Senator Pearson, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

26683-3—1½

REPORT OF THE COMMITTEE

WEDNESDAY, February 28, 1962.

The Standing Committee on Banking and Commerce to whom was referred the Bill S-7, intituled: "An Act respecting Muttart Development Corporation Ltd.", have in obedience to the order of reference of February 22, 1962, examined the said Bill and now report the same with the following amendments:

1. *Page 2, lines 1 and 2:* strike out "entitled to" and substitute therefor "deemed to be the holder of"
2. *Page 2, lines 10 and 21:* Strike out clause 6 and substitute thereof:

"6. (1) The powers granted to the Company by its Letters Patent are hereby cancelled, and the Company shall be deemed to have had the power to invest money in mortgages and hypothecs upon freehold real estate since the 12th day of July, 1961.

(2) No transaction entered into by or on behalf of the Company, and no other action taken by or on behalf of the Company, prior to the coming into force of this Act, shall be deemed to be or to have been contrary to law or invalid by reason only of any noncompliance with the provisions of the *Loan Companies Act*."

All which is respectfully submitted.

SALTER A. HAYDEN,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, February 28, 1962.

Pursuant to adjournment and notice the Standing Committee on Banking and Commerce met this day at 10:30 a.m.

Present: The Honourable Senators: Hayden, *Chairman*; Aseltine, Baird, Beaubien (*Bedford*), Beaubien (*Provencher*), Brunt, Burchill, Choquette, Connolly (*Ottawa West*), Crerar, Croll, Gershaw, Horner, Hugessen, Irvine, Kinley, Leonard, Macdonald (*Brantford*), Molson, Paterson, Pratt, Reid, Taylor (*Norfolk*), Turgeon, Vaillancourt, Vien, Wall, White and Woodrow.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel; and the Official Reporters of the Senate.

Bill S-7, an Act respecting Muttart Development Corporation Ltd., was read and considered, clause by clause.

On Motion of the Honourable Senator Macdonald (*Brantford*), it was resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

Mr. K. R. MacGregor, Superintendent of Insurance, and Mr. Elgin Coutts, Solicitor and Secretary for Muttart Development Corp. Ltd., were heard in explanation of the Bill.

On Motion of the Honourable Senator Brunt it was resolved to Report the Bill with the following amendments:

1. *Page 2, lines 1 and 2:* strike out "entitled to" and substitute therefor "deemed to be the holder of".

2. *Page 2, lines 10 and 11:* Strike out clause 6 and substitute therefor:

"6. (1) The powers granted to the Company by its Letters Patent are hereby cancelled, and the Company shall be deemed to have had the power to invest money in mortgages and hypothecs upon freehold real estate since the 12th day of July, 1961.

(2) No transaction entered into by or on behalf of the Company, and no other action taken by or on behalf of the Company, prior to the coming into force of this Act, shall be deemed to be or to have been contrary to law or invalid by reason only of any noncompliance with the provisions of the *Loan Companies Act*."

At 11.30 a.m. the Committee adjourned to the call of the Chairman.

Attest.

James D. MacDonald,
Clerk of the Committee.

SENATE

STANDING COMMITTEE ON BANKING AND COMMERCE

EVIDENCE

OTTAWA, Wednesday, February 28, 1962

The Standing Committee on Banking and Commerce, to which was referred Bill S-7, respecting Muttart Development Corporation Ltd., met this day at 10.30 a.m.

Senator SALTER A. HAYDEN (*Chairman*), in the Chair.

On a motion duly moved and seconded it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On a motion duly moved and seconded it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bill be printed.

The CHAIRMAN: Honourable senators, we shall proceed to consider, first, Bill S-7. We have Mr. K. R. MacGregor, Superintendent of Insurance, present.

Mr. MacGregor, would you give us your views on this bill?

Mr. K. R. MacGregor, Superintendent of Insurance: Mr. Chairman and honourable senators, this Bill, S-7, respecting Muttart Development Corporation Ltd., is rather unique in our experience, since the main purpose of it is to convert a company incorporated by letters Patent under the Dominion Companies Act into a loan company that would have the same status as though it were incorporated by special act of Parliament.

The honourable senator who sponsored the measure gave quite a detailed explanation of the bill and the purpose of it, but perhaps I might fill in with a few comments, more particularly from the department's point of view.

Of course, in the department we have had experience with bills having for their purpose the amalgamation of companies incorporated by Parliament, also the transformation of a fraternal benefits society into a mutual life insurance company. But this is the first instance where we have encountered a bill to convert a so-called Letters Patent company into a so-called special act company.

The central figure in the Muttart Development Corporation and, in fact, in the whole family of Muttart companies, is Mr. Merrill D. Muttart of Edmonton, Alberta, who is present here today. Personally, I have had knowledge of the Muttart companies for some years, but I did not have the opportunity to meet Mr. Muttart until about two or three months ago. Since then I have met him on two occasions and have discussed with him and with his solicitor the particular problem that has arisen respecting this company. May I simply say that I have made inquiries, and it would appear that Mr. Muttart has been in the building industry for a very long time, for most of his life, dating back to the 1920's. I understand that since the war he has controlled a company incorporated in Alberta called Engineered Building Limited which, apparently, has been one of the largest builders of homes financed by N.H.A. loans in western Canada; but during the 1950's, as I understand it,

he came to the conclusion that there was a need in Canada for providing ways to build smaller and cheaper houses for persons not having the means to build even under the N.H.A. Act, including, in many cases, young people who desired to build their own homes as far as they could and thus reduce the costs in that way. Consequently, in the 1950's he apparently developed companies to produce prefabricated houses.

In the year 1956 his companies seemingly built 59 prefabricated houses; in 1957 they built 381; and in 1958 nearly 600.

The main field of these operations seems to have been confined mainly to cases where the prospective owner of the house would buy a lot himself. He would have to provide the land unencumbered and he would have to have, or find, enough money from his friends or relatives to put in the footings, the foundation, and supply the heating, lighting and sewage facilities. Mr. Muttart's companies then sold him the materials to build his house, pre-cut, with instructions how to erect it.

The materials for these prefabricated houses were sold through subsidiary companies of Mr. Muttart. I think they are usually referred to as his "home" companies. In the earlier years, during 1956, 1957 and at least part of 1958, these subsidiary companies selling the materials took back a mortgage from the person who bought the materials to erect his house.

Briefly, these so called home companies did their own financing; but as business grew, clearly a need arose for co-ordinating the financing of these homes, because the home companies needed the money themselves. They did not want to hold mortgages and that was really the reason which brought into being the Muttart Development Corporation in 1958.

In the debate on second reading it was indicated that Mr. Muttart or his representatives had certain discussions with our department concerning the incorporation of a company at that time, and a loan company was considered. I must admit that I was unaware until recently of the one discussion which seemingly took place in 1958. The solicitor for the company met another officer of our department who described the situation under the Loan Companies Act.

At this point I might mention a peculiarity in the definition of a loan company in the Loan Companies Act, because it is of significance in this case. Under the Companies Act the Secretary of State is of course prohibited from issuing Letters Patent to incorporate a company for the construction of railways, telegraph or telephone lines, or an insurance company or a trust company within the meaning of the Trust Companies Act or a bank or a loan company within the meaning of the Loan Companies Act. In 1958, the definition of a loan company in the Loan Companies Act was simply worded in terms of a company lending money on the security of mortgages or hypothecs upon freehold real estate. The definition said nothing about a company which might invest in mortgages made by another lender.

Honourable senators may recall that during 1958 the Loan and Trust Companies Acts were both amended respecting the capital requirements to start a loan or trust company. At that time the old requirements that were put in the acts in 1914 specified that either a loan or trust company needed only $100,000 of paid capital to commence business.

In 1958 that requirement was deleted and it was left to the private act in each case to specify what the appropriate amount of paid capital should be, having regard to the particular circumstances of the case, being the same as had obtained in respect of insurance companies throughout.

As far as I can see, there may have been some misunderstanding concerning the capital requirements to incorporate a loan company during the discussion which took place in 1958.

In any event, the Muttart interests felt that the capital requirements to incorporate under the Loan Companies Act were too stiff and they consulted the companies division of the Department of the Secretary of State.

In describing the circumstances to the Companies Division it was apparently explained that this company would not be lending on the security of mortgages on real estate. It would be buying mortgages made by the so-called home companies, and that technically this kind of transaction did not fall within the then definition of a loan company in the Loan Companies Act. Seemingly, the Companies Division of the Department of the Secretary of State referred the matter to the Department of Justice, which upheld the view that it was unnecessary in those circumstances to incorporate by special act—that a company could be incorporated by letters patent.

That, in fact, is what was done in 1958. Muttart Development Corporation Ltd. was incorporated in August, 1958 by letters patent under the dominion Companies Act, and the powers given to it were very broad. The main object clause read in this way:

> To purchase or otherwise acquire, take, lease, licence, hire, own, maintain, control, sell, convey, assign, exchange, alienate, transfer, grant, manage, improve, develop and otherwise deal in and dispose of property, real and personal, movable and immovable, tangible or intangible, and any and all interests therein, either absolutely as owner or by way of collateral security or otherwise.

With such powers, of course, the company might have done almost anything relating to real estate, or real estate mortgages, but the letters patent also included the usual prohibition that notwithstanding these broad powers the company could not transact the business of a loan company within the meaning of the Loan Companies Act. So, the latter clause whittled down these powers technically, or legally, to investing in mortgages, and removed the power to lend on the security of real estate.

Our view at that time was that notwithstanding the form of the definition of a loan company in the Loan Companies Act, the buying of mortgages was so similar to the making of mortgages that a company to do that kind of business ought properly to be incorporated by special act as a loan company. That view was expressed to Mr. Muttart's representatives. However, it was quite open and proper, apparently, under existing conditions for them to have taken the course that they did.

About that time, or not long after, several suggestions came to us in the department directly and indirectly to the effect that people were thinking of starting companies for the purpose of investing in mortgages and obtaining their funds to do so from the public through the issuance of debentures. It was contended that under the then definition of a loan company it was open to them to incorporate a company of that kind by letters patent, and there were suggestions to the effect that in order to circumvent the requirement of coming to Parliament the mortgages might be arranged through an individual and then sold to the company. Such a company thus would not be lending on the security of real estate; it would simply be investing in mortgages already made. Obviously, a need arose for changing the definition of a loan company, and that was done, as honourable senators will recall, about a year ago. The definition was broadened so that it now defines a loan company to be a company that not only lends money on the security of freehold real estate but one which invests money in mortgages or hypothecs on freehold real estate.

I think it is correct to say that the main purpose of the Loan Companies Act is to protect the public who may invest in the debentures of companies placing their funds primarily in real estate mortgages, and since these loan companies also have the power to accept deposits there is clearly a need to protect the public for that reason.

In this particular case, namely, the case of Muttart Development Corporation Ltd., I might say that it has never issued any debentures to the public, and it has never accepted deposits, so that no possible harm could occur, from the public's point of view, so long as it operated in that way.

Senator MACDONALD (*Brantford*): May I interrupt? I asked the question in the house with respect to this bill as to whether this company will now be able to accept deposits—

Senator BRUNT: I gave the honourable senator a wrong answer to that question.

Senator MACDONALD (*Brantford*): I am sorry; I did not mean to—

Senator BRUNT: I said that I did not think they would be able to accept deposits, that that was a power reserved for trust companies, but I now understand that both loan companies and trust companies can accept deposits. Their powers are almost identical under both acts.

Mr. MACGREGOR: That is correct.

Senator MACDONALD (*Brantford*): I did not mean to embarrass Senator Brunt.

Senator BRUNT: I am glad you brought the matter up.

Senator MACDONALD (*Brantford*): Would you define the powers of a company to accept deposits, Mr. MacGregor?

Mr. MACGREGOR: Every loan company, Senator Macdonald, has power under the Loan Companies Act to issue debentures or to accept deposits, but the aggregate volume of borrowed money of all kinds—and that term includes money borrowed from all sources including banks, the public, and in every way, whether through the issuance of debentures or the acceptance of deposits —is strictly limited, namely, to twelve and a half times the aggregate of the paid capital and free reserves of the company. This requirement ensures a margin for the protection of the public by way of an excess of assets over liabilities to the extent of roughly 8 per cent of the liabilities.

Senator MACDONALD (*Brantford*): Are the companies' books investigated by any official of your department?

Mr. MACGREGOR: We are required to inspect annually every loan company and trust company licensed under the Loan Companies Act and the Trust Companies Act. In actual fact we have only six loan companies licensed under the Loan Companies Act now, and one of those six was incorporated only last year. That was the General Mortgage Service Corporation, and it has not yet begun to do business. Of the other five companies three accept deposits, the remaining two do not.

It has been our practice, I might say, to arrange that a new loan company will not accept deposits in its early years. It seems only fair that until a company is reasonably well established it ought not to invite the man in the street to put money with it; but it has not been much of a practical problem because there have been so few loan companies incorporated.

When the Muttart Development Corporation became acquainted with the amendment that was made to the Loan Companies Act last year, the effect of which was really to prohibit it from continuing to invest in mortgages, their solicitors consulted us with a view to rectifying the situation as quickly as possible and in the simplest way. Naturally, our first suggestion in the department was that a new loan company might be incorporated to invest in mortgages hereafter, and the existing corporation might continue to service the mortgages already bought until they run off. That course was not acceptable from their point of view. They pointed with pride to the history of their

companies. There are a good many of them. Seemingly not one has ever failed or been in any difficulty and for that reason alone they desired to preserve the continuity of the existing development corporation.

They also pointed to the problems, delay and expense in organizing a new company and arranging its financing with the banks because this company has obtained its lending funds mainly from the bank and from the Muttart family. They very strongly preferred to convert the existing company into a loan company if that were possible. We in the department had had no previous experience with a transaction of this kind, although we had had, as I mentioned earlier, experience in the transformation of a fraternal benefit society incorporated by Parliament into a mutual life company. The Alliance Nationale was transformed that way in 1945 or 1946. However, upon consulting legal experts it seemed in order to proceed in this way, and that is the whole purpose of this bill, namely, to cancel the powers granted to the existing company by its letters patent and to convert the company into a loan company having the same status as though it were incorporated by a special act of Parliament, and to confer upon it all the powers, privileges and immunities and make it subject to all the limitations, liabilities and provisions of the Loan Companies Act.

Senator MACDONALD (*Brantford*): What are the restrictions as to the rate of interest which this company or any company incorporated under this act can charge?

Mr. MACGREGOR: There is no restriction on the rate of interest under the Loan Companies Act. It has never been a problem, I may say, Senator, since the few companies that have been licensed under the act have all been in the business of making first mortgage loans at the usual prevailing rate of interest.

I might say that in this particular instance the mortgages are all or practically all made for a term of ten years. The mortgages provide for monthly repayments, and the rate of interest charged to the borrower is 9 per cent per annum.

The home companies which make the mortgages, or take back the mortgages upon selling the materials, sell the mortgages to the Muttart Development Corporation, and they have been selling them at a discount of 15 per cent. I understand that very recently the discount has been reduced to 10 per cent, since the 15 per cent margin was too large from the point of view of the home company making the mortgage.

Senator CROLL: Mr. MacGregor, this seems to trouble me. You told us that in 1961 the definition was broadened and at that moment the Muttart Development Company was outside the content of the definition. That was sometime in 1961. Now, about a year later, perhaps less than that, the company comes here and rectifies their position, assuming the bill is passed. In the interval a great deal of business has been conducted in, what we might term—I won't use the word "illegally"—good faith and all that sort of thing but not within the confines of the act. How do we hurdle that?

The CHAIRMAN: We have a proposal here from our Law Clerk, which I was going to tell you about later and which has been approved by Mr. MacGregor and also by those representing the company.

Senator CROLL: Let us hear it.

The CHAIRMAN: The proposal is to delete section 6 and substitute a new section 6 which would read as follows:

> 6. (1) The powers granted to the Company by its Letters Patent are hereby cancelled, and the Company shall be deemed to have had the power to invest money in mortgages and hypothecs upon freehold real estate since the 12th day of July, 1961.

(2) No transaction entered into by or on behalf of the Company, and no other action taken by or on behalf of the Company, prior to the coming into force of this Act, shall be deemed to be or to have been contrary "to law or invalid by reason only of any non-compliance with the provisions of the Loan Companies Act".

Senator CROLL: Then I have one more question. Will you then, Mr. MacGregor, assure this committee, or me as a member of it, that everything done from the two dates in question has been legal, correct and proper.

Mr. MACGREGOR: I believe that the proposed amendment will validate everything that the company did—

Senator CROLL: Yes.

Mr. MACGREGOR: —beyond its charter powers.

The CHAIRMAN: That is not Senator Croll's question.

Senator CROLL: That is not my question, and you know the difference.

Mr. MACGREGOR: No, I am sorry. I didn't grasp it.

Senator CROLL: All right. I know what this provision says, that as at the time we pass this legislation everything is legal, but you are asking us to buy something blindly—well, I don't really suggest that, and we have no reason to suspect that what has been done has not been proper in the ordinary course of business, but this is most unusual. Are you prepared to say from your review and knowledge and what you may have seen of the books, or for any reason at all, that everything that was done was done properly and legally and that you are giving assurance that what you are doing now is proper?

Mr. MACGREGOR: No, I cannot say, senator, that everything the corporation did after July 12, 1961, being the day before the amendment to the Loan Companies Act became effective, up to the present, was legal and in order. I do not believe it was legal and in order; they exceeded their charter powers.

The CHAIRMAN: Again, that is not the question.

Senator CROLL: I should not have used the term "legal". I realize it was all an error and they were attempting to correct it and there were some mistakes, and some reasons for the delay; but what concerns me is, if it had been legal at that time and they had carried on, assuming they had the power, are you prepared to say that everything they did from 1961 until the time that we make this change is in the ordinary course of business quite proper and in accordance with the law?

Mr. MACGREGOR: I believe so. I am not aware of anything to the contrary.

Senator CROLL: No; "anything to the contrary" is not quite the question. I am not aware of anything to the contrary. I am merely asking what is not a hypothetical question, but what is a realistic question.

The CHAIRMAN: Perhaps, Senator Croll, I can paraphrase your question.

Senator CROLL: Go ahead.

The CHAIRMAN: I think it is this: In the ordinary way, if this company had been a loan company there would have been the inspection that is required. Now, Mr. MacGregor assured us that if the inspection had been applied to the period from July 12, 1961 it would meet all the inspection requirements under the act.

Senator CROLL: You put it very well, Mr. Chairman.

Mr. MACGREGOR: I believe so, yes.

Senator MACDONALD (*Brantford*): Mr. MacGregor, you made a reference earlier to the rate of interest charged by the company.

Mr. MACGREGOR: Nine per cent, convertible half yearly.

Senator MACDONALD (*Brantford*): Yes. Is that the current rate which is charged by the trust and loan companies on mortgages?

Mr. MACGREGOR: No, sir, it is a bit higher. Generally, over that period, I woud say that perhaps seven per cent per annum was nearer the prevailing rate for mortgages; but at the same time I think one must not overlook the nature of the security in this particular field. These are relatively cheaper homes built by the borrower himself.

Senator MACDONALD (*Brantford*): All poorer people who have to pay higher interest?

Mr. MACGREGOR: Well, looking at the house,—the security for the mortgage—it is a do-it-yourself kind of house rather than a house built by a reputable builder, upon which most loan companies lend their funds. At the same time, however, the record of these loans has been exceedingly good.

Senator MACDONALD (*Brantford*): In repayment?

Mr. MACGREGOR: Yes, sir. I have data at the end of November 1961, which was the end of their financial year; and out of nearly four million dollars of loans then on their books only 21 loans were in arrears at all, and those for only very short periods involving aggregate arrears of some $800.

Senator MACDONALD (*Brantford*): They have a good investment, and why should a good investment carry a high rate of interest?

Mr. MACGREGOR: Perhaps it should be lower but that is their justification, the overall nature of the security.

Senator MACDONALD (*Brantford*): A greater risk calls for a higher rate?

Mr. MACGREGOR: Yes.

The CHAIRMAN: You have no control over the higher rate of interest.

Senator BRUNT: Mr. MacGregor, would the average loan company which had been in existence for years be interested in this type of loan?

Mr. MACGREGOR: They were not at the time this company started business. I think they may be showing more interest now; but that was one of the main reasons that brought this corporation and this type of house into existence, namely, the apparent reluctance of other lenders to enter that field.

Senator BRUNT: So that if we had not had this type of company these people would not have been able to get loans who were building houses on the do-it-yourself basis?

The CHAIRMAN: Well, less likely.

Senator BAIRD: What is the price of this type of house, $2,000 or $3,000?

Mr. MACGREGOR: I would prefer Mr. Muttart or Mr. Coutts to answer that question; they have fuller information.

Mr. COUTTS: The average is about $5,000.

Senator KINLEY: With a down payment?

Mr. COUTTS: In most instances there is no down payment, the entire amount of the loan is represented in mortgage. That is one feature about these, that there is very little down payment in the first instance.

The CHAIRMAN: One hundred per cent financing.

Senator KINLEY: Mr. MacGregor, you said the applicant must supply the land—the footings. Does that include the sewerage?

Mr. MACGREGOR: Yes, sir.

Senator KINLEY: The heating?

Mr. MACGREGOR: Yes, sir.

Senator KINLEY: And the plumbing. Now, what about the lighting, is that a specialty too?

Mr. MACGREGOR: That is included, too.

Senator KINLEY: Well, that is a big cost of the house. It should be a very secure loan.

Mr. MACGREGOR: It is, apart from the fact that it is a house built by these people themselves.

Senator KINLEY: You know, the loan companies are doing very well in Canada. Nine per cent is a very high rate of interest for a person who puts up all that security in a house, for he will have put half of his money into those items.

Mr. MACGREGOR: Perhaps with the experience they gain and if their profits are good enough, they will reduce it, senator; but I can only explain what their practice has been and the justification they have given for it. I believe from the figures I have that the loans are of good quality, and by reason of the fact that the borrower or the owner puts up as much as he does and puts so much in it in the form of labour, there is a good margin as between the final value of the property and the loan.

Senator CROLL: Some of these houses must have been resold after they were built. What was the average price of resale of these?

Mr. MACGREGOR: I can't answer that.

Senator CROLL: Well, you can get that.

Mr. MACGREGOR: Perhaps I might say a few additional words, Senator Croll, on the point you raised earlier, namely, the fact that the corporation has since last July 13 exceeded its charter powers. That, of course, is a serious matter. I noticed on second reading that Senator Farris very pointedly raised this question, namely, the status of the mortgages acquired on and after July 13, 1961. The corporation did in fact acquire mortgages having a face amount of almost exactly $1,200,000 after July 12, 1961. However, even without the proposed amendment, the situation in their case may not have been as serious as it would normally be in this respect, since these mortgages were not made by this development corporation. The mortgages were made by the homes companies selling the materials and the borrower, so I think in every case there is no question about the validity of the mortgage itself. The development corporation was not a party to the mortgage agreement. The question is the power of the development corporation to buy these mortgages from its own homes companies, but it would seem that the risk involved would be less since these transactions were wholly within the Muttart group of companies. The homes companies are Muttart companies and the development corporation is a Muttart company. However I think it is very desirable to remove any doubt in that respect and that of course is the object of the proposed amendment to clause 6.

Finally, if I might just say a word—

Senator CRERAR: May I ask a question before you go on. Suppose that in a typical transaction some young fellow wants to build a house, he buys a lot, he puts in the foundation, he does certain other things like providing the heating, the plumbing, the electrical work and all that sort of installation, and this home company, as you call it, sells him the material and he proceeds to build a house, with any help he can get. Now, in order to secure the sale of material a mortgage is taken on the property. What percentage of value of the completed property will this mortgage be? What percentage of the total value?

Mr. MACGREGOR: I would say on the average between 50 per cent and 60 per cent.

Senator CRERAR: Not more than 60 per cent?

Mr. MACGREGOR: Seemingly not, in the average case.

Senator CRERAR: And for that he pays 9 per cent?

Mr. MACGREGOR: Up to date, he has.

Senator CRERAR: Up to date he has been paying 9 per cent. Now, the fact of the matter is that loan companies in that business, companies like insurance and trust companies and so forth, advance up to two-thirds, 66 per cent, of the value of the property, and the rate as far as my knowledge goes has never exceeded, within the last few years, at least 7.25 per cent.

The CHAIRMAN: Seven and a half per cent.

Senator CRERAR: Possibly 7½ per cent.

Senator BRUNT: Eight per cent in certain cases.

Senator CRERAR: More recently, and I think Senator Leonard will confirm this, loans have been made at the rate of 7 per cent. Now it does seem to me rather strange that this organization which apparently is a private organization should be in the position to get 9 per cent from some person who may be talked into it on security that is evidently much better than that on which ordinary loan companies make loans.

Mr. MACGREGOR: Senator Crerar, I do not wish to defend their practice. I can only say that I suppose their justification was that they were entering a new field that was not being serviced by other builders and lenders at the time and that experience had to be gained in it. Whether they will continue to charge 9 per cent or more or less frankly I do not know.

Senator PRATT: What would be the average unit of value of these loans as compared to the loans made by companies which you referred to—the amount of loan in each case has some relation to the profitable rate of interest, of course.

Mr. MACGREGOR: The average loan in this case is certainly substantially smaller than the average residential loan because the type of house and property is of considerably lower value than the average residence. That, in fact, was another reason that brought this corporation into existence, to service this lower layer of the field, so to speak.

Senator PRATT: That obviously would have some effect on the rate.

Mr. MACGREGOR: It would.

Senator BURCHILL: Mr. Chairman, would not the locality of the house and its saleability in that locality have a lot to do with the rate of interest?

Mr. MACGREGOR: Yes, it always does.

Senator HUGESSEN: Is this not the same sort of problem we have been faced with in the past in connection with the Small Loans Act, where there are a lot of small loans that cost a lot to collect, and we have authorized a higher rate of interest, a rate that would be justified.

Mr. MACGREGOR: That is correct. In the small loans field—and I do not wish to get off on it particularly—the losses through failure to collect are relatively small, being about one per cent of the principal balances outstanding each year, but expenses are relatively high by reason of the small units handled.

Senator KINLEY: Do these people perform any services such as making plans or providing supervision? I understand they supply the prefabricated house. Do they just give that to the buyer without any plans?

Mr. MacGregor: I understand, Senator Kinley, that they supply all the plans and instructions and the material is all precut but I am not sure whether they provide any supervision in the erection of the house. I cannot answer that question.

Senator Kinley: I suppose that the building would comply with the municipal requirements?

The Chairman: They would have to; they would not get a permit otherwise.

Senator Macdonald (*Brantford*): Do I understand that the company supplies the basic material that goes into the construction of the house?

Mr. MacGregor: Yes.

Senator Macdonald (*Brantford*): And the company no doubt makes a profit on the sale of that material?

Mr. MacGregor: There are various merchandising companies in the Muttart group. I do not know them all, Senator Macdonald. I may say first of all that there are seven so-called homes companies selling materials. There is one each in Vancouver, Edmonton, Calgary, Saskatoon, Regina, Winnipeg and Toronto, if I am correct. I understand that there are at least four companies producing materials, namely, in Vancouver, Edmonton, Regina and Brantford. I do not know how many companies there are in the entire Muttart organization but certainly some of them are in the business of producing construction materials as well as selling them.

Senator Macdonald (*Brantford*): Are they associated or actually a part of the Muttart development?

Mr. MacGregor: That raises another point and I will be very glad to answer it. I was going to mention briefly a moment ago the present financial position of this corporation. At the end of November, 1961 it had total assets of about $5,500,000; it had liabilities of about $3,500,000, and it had paid capital and surplus of about $2,000,000. The capital is all owned by the Muttart family apart from a very few shares owned by directors, and most of the directors are in the Muttart family.

Senator Crerar: How long has the company been in business?

Mr. MacGregor: Since 1958.

Senator Crerar: What capital did it have to start with?

Mr. MacGregor: I do not know, Senator Crerar.

Senator Brunt: There was subscribed on the stock, which was issued by the company, $1,855,000, and the surplus account shows $144,000.

Mr. MacGregor: If I may interrupt, Senator Brunt, I think the question that Senator Crerar is asking is the initial paid capital of the company in 1958. I would guess it was of the order of $100,000. Mr. Coutts, have you any information on that?

Mr. Coutts: The issued and paid-up capital was $1,600,000.

Mr. MacGregor: Paid?

Mr. Coutts: Issued and paid.

Mr. MacGregor: Originally, in 1958?

Senator Macdonald (*Brantford*): Paid in dollars?

Mr. Coutts: No, not in dollars.

Mr. MacGregor: What was the initial amount of paid capital in 1958?

Mr. Coutts: $1,600,000 issued and paid.

Mr. MacGregor: Then there should have been no doubt of the ability of the company to incorporate under the Loan Companies Act.

I have not yet answered your question, Senator Macdonald. Out of total assets of $5,500,000 there are common stocks owned by this development corporation having a book value of about $1,300,000. These stocks are shares of subsidiary companies producing building materials and they are not eligible as assets of a loan company under the Loan Companies Act. They are now in the process of being bought by the Muttart family from this development corporation, and withdrawn. An equivalent amount of money borrowed from the Muttart family and now included in the liabilities will be cancelled so as to make all the assets of this company, if converted, eligible under the Loan Companies Act.

Senator MACDONALD (*Brantford*): Will that transaction have to be completed before this bill receives royal assent?

Mr. MACGREGOR: No, but it will have to be completed before the Minister of Finance issues a certificate to the loan company authorizing it to commence business. The issuance of such a certificate will bring this bill into force by clause 8.

The CHAIRMAN: The bill only comes into force when the certificate is issued.

Senator CRERAR: Surely, we can find out what the total amount of actual cash represented is?

The CHAIRMAN: We are going to hear one of the company's representatives as soon as Mr. MacGregor is through.

Mr. MACGREGOR: I cannot give you, Senator Crerar, the amount of capital paid initially on the stock of this company in 1958. At the present time the paid capital is $1,855,500; and an additional amount of between $300,000 and $400,000 is being paid on capital account. So by the time this company is converted its paid capital will be about $2,200,000.

Senator KINLEY: It was suggested this might be in the category of small loan companies. I do not think it should be so classified. Their highest loan is limited to $500.

The CHAIRMAN: $1,500.

Mr. MACGREGOR: The distinguishing characteristic of a loan company of the present kind is the power to lend on the security of real property. Loan companies of this kind have no power under the Loan Companies Act to lend on personal security. On the other hand, small loan companies have no power to lend on the security of real property, and their main powers are to lend on personal security.

Senator KINLEY: The rate of interest goes down as the loan goes up.

The CHAIRMAN: It is up to $1,500.

Mr. MACGREGOR: I do not think there is anything further that I can usefully say about this bill. It is a rather unique bill, but I believe that if passed the result will be a loan company of the usual kind, subject to all the provisions of the Loan Companies Act.

Senator LEONARD: Are there any other companies incorporated by Letters Patent that might be caught by the amendment to the Loan Companies Act of last year?

Mr. MACGREGOR: Not to my knowledge, Senator Leonard.

Senator HUGESSEN: Mr. Chairman, it is now half-past-11, and we have a meeting of the Standing Committee on Transport and Communications arranged for half-past-11 in this room to consider Bill C-66, to amend the St. Lawrence Seaway Act. I gather we are going to be all morning on these three bills, and the committee of which I am chairman will require the services of

the reporters. May I suggest that we postpone the meeting of the Standing Committee on Transport and Communications until 2 o'clock this afternoon, in this room? If the members of that committee would be good enough to take this as notice.

Hon. SENATORS: Agreed.

The CHAIRMAN: Mr. Coutts, who is going to speak on behalf of the company?

Mr. COUTTS: I shall.

The CHAIRMAN: Will you come forward.

Honourable senators, this is Mr. Elgin Coutts, the solicitor and secretary of the Muttart Development Corporation Limited. Have you gentlemen some questions you wish to ask Mr. Coutts?

Senator CROLL: Some of these houses have no doubt been re-sold—

Senator REID: Mr. Chairman, will you tell us who this witness is?

The CHAIRMAN: I already have. He is the sollicitor and secretary of the Muttart Development Corporation Limited which, if this bill becomes law, will become a loan company under the Loan Companies Act.

Senator CROLL: Mr. Coutts, in the course of the number of years of operation, from 1956 to 1958, some of the houses have undoubtedly been re-sold by the original purchasers. You indicated to us the average loan was about $5,000.

Mr. COUTTS: That is correct,

Senator CROLL: What is the sort of price for which they have been sold?

Mr. COUTTS: I do not think that comes within our knowledge. I do not wish to be evasive, because that is not my intention. In the practice of law, as you know, a mortgagee is informed a house has been sold. We do not make a practice of sending out questionnaires, as some of the lending institutions do, to find out these amounts; and, frankly, I do not think we know.

Senator CROLL: You are not under oath, but you are giving us information to the best of your knowledge.

Mr. COUTTS: That is right, sir.

Senator CROLL: Well...

Mr. COUTTS: If I may, I would like to ask Mr. Alexander, because I am not actively engaged in it.

Senator CROLL: All right, you can ask him.

Mr. COUTTS: Mr. Alexander advises me, Senator Croll—and he is treasurer and manager of the company—that on ones in respect of which they have received information the sale price has been in the neighbourhood of $8,000 to $10,000. But he asks me to say, because of the few number in which they get these figures, that he could not say whether that was representative or not.

The CHAIRMAN: Mr. Coutts, I want to ask you a question. Earlier I suggested to you, on the explanation we were getting, that your financing was 100 per cent financing. You seemed to agree. Actually, as the facts have been disclosed to us now, it is not 100 per cent financing, but about 50 or 60 per cent financing.

Mr. COUTTS: I did not consciously wish to mislead you, sir. I would have to qualify it to this extent, that our materials are 100 per cent financed.

The CHAIRMAN: But the owner who is building has already put in a substantial value by providing the land, putting in the footings, heating, lighting and the plumbing.

Mr. COUTTS: That is quite right, Mr. Chairman. If I indicated that our financing was 100 per cent of the whole thing I was quite incorrect, and I apologize.

The CHAIRMAN: On the basis of some of these re-sales from $8,000 to $10,000, would you say that what the owner had put in, his contribution, would amount to almost as much as the money you advanced?

Mr. COUTTS: Depending on the original amount it could. If his original cost of material was $4,000 and he sold for $8,000, yes, it would have to be.

The CHAIRMAN: There would be the value of his amount matching your mortgage financing in the cost of land, plus footings, plus heating, plus plumbing, plus lighting and plus the labour contribution to erect the materials you have given?

Mr. COUTTS: Yes, at those figures.

Senator REID: Is not it a fact that the cost of labour is equal to about 50 per cent of the materials that go into the building of a home?

Mr. COUTTS: I could not answer that, sir. I do not have enough knowledge of the building field to answer that question.

Senator MOLSON: Is the fact that these houses are erected by the owner something which affects their value very frequently? In other words, is the "Do it yourself" effect in construction one which would affect the value very largely?

Mr. COUTTS: It would depend on the skill of the person putting it up primarily. These are put up in prefabricated components and there is an attempt, through the amount of prefabricating which is done, to cut the actual work necessary, of fitting or cutting wood, and so on, to a minimum. Therefore, in these houses the prefabricated unit, which may be half of the side of the house, would go up in one unit. If there is some one who is not as good a workman as another, I think the finished product would not be as good as that of a real craftsman.

Senator HUGESSEN: Do you supervise the construction at all?

Mr. COUTTS: There is no actual supervision of the erection of the actual prefabricated components. They are given detailed plans. These plans are gone over by the personnel of the company but there is no actual supervision of the work at the end.

Senator MOLSON: Is there inspection at the end?

Mr. COUTTS: Not as such, Senator Molson.

Senator CROLL: You are solicitor and secretary of the company. On July 1 of 1961 it came to your attention that you were not within the four corners of the act. You continued to do business. At that time you could not be sure that we would pass this act; in fact, no one can be sure at any time as to what we are likely to do. In the face of that, how could you continue to do business, when you knew that you were not within the confines of the act?

Mr. COUTTS: With respect, I would have to change the wording of the statement you made, to be that perhaps on the first of July I should have become aware of the act. I know that ignorance of the law is no excuse for the non-observance thereof. In July I was on holidays. We got the bills in our office. I can only say what was so, that when I returned from holidays, I did not go back to review the bills and I was unaware of this until November.

Senator CROLL: Until November?

Mr. COUTTS: Yes.

Senator CROLL: Let us take it to November, then. You became aware in November of this as a matter of some concern. You undoubtedly saw Mr. MacGregor and he confirmed what you thought was the law at the time and made inquiries. But you carried on business since November—and here we are in March.

Mr. COUTTS: We carried on some business since November, Senator Croll, not very much. I was concerned. Perhaps I should have known better, but I must say there was some doubt in my mind as to whether a parliamentary act could take away the powers that Letters Patent had given us—which was what we thought was being done.

The CHAIRMAN: This is a very nice question, because these people are actually incorporated by the Secretary of State and they have a charter and are carrying on business. Under the Loan Companies Act as amended, the scope of its coverage was increased in 1961. All that the Loan Companies Act says is that no Letters Patent incorporating a loan company shall be issued under the provisions of Part III of the Companies Act—and it refers to the Revised Statutes. But the Letters Patent were issued on the opinion of the Department of Justice at the time, when there was not as broad a definition of what was "investing" and "loaning". Then there is an amendment to the definition, so as to broaden the coverage of the Loan Companies Act.

There is a collision between the existing charter, with the authority of the Government behind it, and an amendment of the Loan Companies Act. I would not be prepared to express an opinion but I would not be prepared to accept an opinion at the moment that they could not continue to do what they were doing, as certainly their charter has not been cancelled.

Senator CROLL: If they have been continuing to do this all along, they must be of the view that they had authority to do it. Then what is the purpose of the act?

The CHAIRMAN: I suppose they wanted to consider their position. No one wants to fly in the face of a public statute of this nature and therefore they now seek to conform. I was only meeting the suggestion that they were acting without any authority.

Senator VIEN: I did not get a copy of the amendment, but from what I understand from this reading, we correct only such errors as may have been made in conflict with the Loan Companies Act.

The CHAIRMAN: That is right.

Senator VIEN: Anything else is not touched.

The CHAIRMAN: That is right.

Senator VIEN: Is the bulk of your business done in metropolitan territories or in more distant areas?

Mr. COUTTS: I would say the greater part of our business is done away from metropolitan areas, right across Canada. For instance, there are a lot around Pembroke, where there has been active construction.

Senator VIEN: Does this account for the difference in the rate of interest where people would like to have a building of that sort but cannot easily get money from the usual sources?

Mr. COUTTS: They just cannot get the money. The typical lending institution says you must get the roof on your house and we will give you a draw. As against that, we deliver the goods and take our chances that they will get them up.

Senator CHOQUETTE: Do you sell cottages?

Mr. COUTTS: We have a line in cottages but it is not indicated here. I would like to say to Senator Croll that we do not want to get involved in any constitutional question as to whether our rights could be taken away or not. We only want to put our house in order. We want to do that with all our heart and we want to get it done as quickly as we can. We do not want to be doing business looking over our shoulder to see if anyone is watching us.

Senator HUGESSEN: I do not see how you can be blamed if you found out about this thing only in November and immediately communicated with Mr. McGregor; and this bill comes to us in the end of February. I think you have done very well.

Senator LEONARD: I take it, too, that a borrower who can secure a loan from a life insurance company or any other loan company, after the house is completed and pay off the mortgage that the Muttart Corporation holds on the usual terms?

Mr. COUTTS: They are permitted to pay off the Muttart Mortgage on any monthly payment date upon the payment of a bonus of three months' interest.

Senator BRUNT: That is customary.

Mr. COUTTS: Under the Mortgages Act of Ontario if a mortgage has been in force five years the mortgagee is obliged to permit its being paid off upon the payment of three months' interest as bonus.

Senator CRERAR: This business started in 1958?

Mr. COUTTS: This particular company, yes.

Senator CRERAR: What capital was subscribed?

Mr. COUTTS: Mr. Muttart, who was the main shareholder has roughly $1,600,000 worth of preferred shares in other companies which he at one time controlled. These shares were in private companies. These shares that he owned did not have a dividend record to qualify them as stocks that can be held by a loan company, because there has to be a certain dividend record under the Loan Companies Act to qualify such stock. They were stocks in private companies. They were not stocks that he could sell on the market, but these stocks to the value of $1,600,000 provided the capital for the new loan company.

Senator CRERAR: Am I right in this: Mr. Muttart, when he started the business, had these preferred shares and he ploughed back into the business the earnings of those companies; is that correct?

Mr. COUTTS: He sold these preferred shares to this new company—at that time Muttart Development Corporation Ltd. In consideration for the turning over of these shares to Muttart Development Corporation Ltd., Muttart Development Corporation Ltd. issued to him approximately $1,600,000 worth of its common shares. Although the shares he turned over to Muttart Development Corporation would not be allowable as investments for a loan company under the act, the bank took them as collateral. So, the bank took the shares, and they were pledged as collateral for the loan that the company got from the bank with which to carry on its business.

Senator KINLEY: Can you think of a more secure mortgage than one under your scheme where a man builds a house himself and supplies half the material that goes into it? There is no hazard there.

The CHAIRMAN: There might be the problem of marketability.

Senator KINLEY: But that is his problem at the start. He would not build a house where it is not needed. I know something about this business, and I know a little about financing. The thing that worries me is this nine per cent.

The CHAIRMAN: We have no control over that rate.

Senator MACDONALD (*Brantford*): What do you do with a mortgage when you take it? Am I correct in thinking that you then discount it, or sell it to somebody else?

Mr. COUTTS: The homes company, as we have been referring to the company that sells the home, takes a mortgage back, senator.

Senator MACDONALD (*Brantford*): Is it then an asset of the company we are considering here?

Mr. COUTTS: No, the homes company has been selling its mortgages to Muttart Development Corporation Ltd.

Senator MACDONALD (*Brantford*): And who owns the homes company?

Mr. COUTTS: The homes companies are owned by members of the Muttart family. The shares are held by the Muttart family.

Senator MACDONALD (*Brantford*): But the homes company is controlled entirely by the shareholders of Muttart Development Corporation Ltd.

Mr. COUTTS: No, that is quite accurate.

Senator MACDONALD (*Brantford*): What percentage of shares are held by it?

Mr. COUTTS: I could not tell you that because there has been some change in the ownership of shares. Taking into account in-laws I think we could say that the shares of the homes companies are owned or controlled by the members of the Muttart family, including the in-laws.

Senator MACDONALD (*Brantford*): Then, the homes company take the mortgage in the first instance?

Mr. COUTTS: Yes, sir.

Senator MACDONALD (*Brantford*): Then the homes company sells the mortgage to Muttart Development Corporation Ltd. at a discount of 15 per cent.

Mr. COUTTS: They have been doing so. The amount now is 10 per cent.

Senator MACDONALD (*Brantford*): Tell me this, is it the homes company that owns the prefabricated materials, etc. that go into the house in the first instance?

Mr. COUTTS: Yes, sir.

Senator MACDONALD (*Brantford*): So that the homes companies make their profit in the first instance, and then take a mortgage back on the total cost price?

Mr. COUTTS: That is right, in most instances. There are some cash sales, and some in which people say that they do not want such a big mortgage, and they will pay so much down. However, those cases are very much in the minority.

Senator MACDONALD (*Brantford*): Is the practice to assign the mortgage on those houses immediately it is received by the homes company?

Mr. COUTTS: It has been, but now if we are successful in our application to have the company converted to a loan company we are going to have to age the mortgages until the building is erected and the mortgage is worth more than two-thirds of the value of the land.

Senator MACDONALD (*Brantford*): I understood the evidence previously to be that these mortgages are about 60 per cent.

Mr. COUTTS: When the house is completed.

Senator MACDONALD (*Brantford*): So there is no reason for delaying the assignment of the mortgage?

Mr. COUTTS: No, sir, not when the house is up.

Senator REID: Does the business extend to British Columbia?

Mr. COUTTS: Yes, sir.

Senator KINLEY: Your primary business is the building of these houses?

Mr. COUTTS: The supplying of the materials for the house; not so much the building of it.

Senator KINLEY: You make a prefabricated house?

Mr. COUTTS: Yes.

Senator KINLEY: Will you sell that for cash?

Mr. COUTTS: Yes.

The CHAIRMAN: There is an amendment proposed—

Senator MACDONALD (*Brantford*): I understood you to say it was the homes company that built the house, and not Muttart Development Corporation Ltd.?

Mr. COUTTS: There is no building, Senator Macdonald, for the most part. The supply of the materials is the main function of the homes company.

Senator MACDONALD (*Brantford*): Has Muttart Development Corporation Ltd. anything to do with the supply of materials?

Mr. COUTTS: No.

Senator BRUNT: I wonder if we could go through the bill clause by clause, because I have another amendment to suggest which I will move before clause 6 is considered.

The CHAIRMAN: Very well, shall clause 1 carry?

Carried.

Senator CRERAR: Have you very much competition in this business?

Mr. COUTTS: There are two companies in Ontario of which I am aware. I am not aware of the western situation, but Halliday's and Sunnibuilt are in business in Ontario. They have nothing to do with us.

The CHAIRMAN: Shall clause 2 carry?

Carried.

The CHAIRMAN: Shall clause 3 carry?

Senator BRUNT: Mr. Chairman, Senator Hugessen has suggested a very good amendment with respect to subparagraph (2) of clause 3. I have cleared it with the solicitor for the company, and I understand the company is prepared to accept it. The amendment is that the words "entitled to" be stricken out, and the words "deemed to be the holder of" be substituted therefor. With that amendment that subparagraph will read:

> Each shareholder of the Company shall be deemed to be the holder of one share of the capital stock of the Corporation for each ten shares of the Company now held by him.

In other words, the change in the capital stock would become automatic under the act with this amendment.

The CHAIRMAN: So you strike out the words, "entitled to" and put in, "deemed to be the holder of"?

Senator BRUNT: Correct.

The CHAIRMAN: Does section 3 carry as amended?

Carried.

The CHAIRMAN: Shall section 4 carry?

Carried.

The CHAIRMAN: Shall section 5 carry?

Carried.

The CHAIRMAN: With respect to section 6, do I understand this is correct, Senator Brunt, that the proposed new section 6 is approved by the company?

Senator BRUNT: That is correct, Mr. Chairman.

The CHAIRMAN: Shall I read it again?

Senator BAIRD: No, we have heard it.

The CHAIRMAN: Yes, you have heard it. Then, shall section 6 be deleted and a new section 6 as read, be substituted therefor?

Carried.

The CHAIRMAN: Shall section 7 carry?

Senator MACDONALD (*Brantford*): On this section I would like to ask the witness if it is the intention of the company to accept deposits?

Mr. COUTTS: We hope to have the powers provided in the act subject, however, Senator Macdonald, to the supervision of the Insurance Department, and the Insurance Department and the Minister of Finance will say when we can and cannot accept deposits.

Senator MACDONALD (*Brantford*): Is it your intention to accept deposits as soon as you have the power to do so?

Mr. COUTTS: I think in this sense, sir, that we would like to think of a time when we could accept deposits for people to hold until they have accumulated money so that they would then have sufficient funds to buy a lot and start a house where they might not set up a savings program directly of their own to reach this end.

Senator MACDONALD (*Brantford*): I understood Mr. MacGregor to say that the custom of these companies was not to accept deposits, if I remember correctly, for a period of, say, three years.

The CHAIRMAN: I don't think he used the word "custom". I think he said it would be a desirable practice.

Mr. MACGREGOR: If I might answer that, sir, I said that of the existing loan companies, apart from the sixth company that was incorporated just last year and which has not begun business yet, of the five that have been licensed for many years three do accept deposits. If new loan companies are incorporated —and we have had one or two in the last six years—it is our view that the licence issued to them should withhold the power to accept deposits until the companies become reasonably well established, and this would involve a period of certainly not less than three years, more likely three to five years.

Senator MACDONALD (*Brantford*): I would like to know if you are going to establish offices around the country to accept deposits in a similar manner as trust companies and loan companies are doing now throughout Canada?

Mr. COUTTS: As I understand the present thoughts of the people who manage the company, there is no intention of setting up offices to accept deposits of money as such. The present thinking goes no further than the hope of being able to accept money to permit people, through a savings plan, to accumulate sufficient money to start a home.

The CHAIRMAN: Shall section 7 carry?
Carried.

The CHAIRMAN: Shall section 8 carry?
Carried.

The CHAIRMAN: Shall the preamble carry?
Carried.

The CHAIRMAN: Shall the title carry?
Carried.

The CHAIRMAN: Shall I report the bill as amended?
Carried.

—The committee thereupon concluded its consideration of the bill.

Fifth Session—Twenty-fourth Parliament
1962

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

BANKING AND COMMERCE

To whom was referred the Bill S-9, intituled "An Act to incorporate Brock Acceptance Limited" and Bill S-10, intituled "An Act to incorporate Gerand Acceptance Company".

The Honourable SALTER A. HAYDEN, Chairman

WEDNESDAY, MARCH 14th, 1962

WITNESSES

Mr. K. R. MacGregor, Superintendent of Insurance; and Mr. Charles F. Doyle, Q.C., of Counsel for the Petitioners.

REPORTS OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

26838-3—1

THE STANDING COMMITTEE ON BANKING AND COMMERCE

The Honourable Salter Adrian Hayden, *Chairman*

The Honourable Senators

*Aseltine	Farris	Monette
Baird	Gershaw	Paterson
Beaubien (*Bedford*)	Gouin	Pouliot
Beaubien (*Provencher*)	Hayden	Power
Bois	Horner	Pratt
Bouffard	Howard	Reid
Brooks	Hugessen	Robertson
Brunt	Irvine	Roebuck
Burchill	Isnor	Smith (*Kamloops*)
Campbell	Kinley	Taylor (*Norfolk*)
Choquette	Lambert	Thorvaldson
Connolly (*Ottawa West*)	Leonard	Turgeon
Crerar	*Macdonald (*Brantford*)	Vaillancourt
Croll	McDonald	Vien
Davies	McKeen	Wall
Dessureault	McLean	White
Emerson	Molson	Woodrow—49.

*Ex officio member.

(Quorum 9)

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Friday, February 23rd, 1962.

Pursuant to the Order of the Day, the Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Pearson, that the Bill S-9, intituled: "An Act to incorporate Brock Acceptance Limited", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Pearson, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—

Resolved in the affirmative.

Pursuant to the Order of the Day, the Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Pearson, that the Bill S-10, intituled: "An Act to incorporate Gerand Acceptance Company", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Pearson, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

26838-3—1½

REPORTS OF THE COMMITTEE

WEDNESDAY, March 14, 1962.

The Standing Committee on Banking and Commerce to whom was referred the Bill S-9, intituled: "An Act to incorporate Brock Acceptance Limited", have in obedience to the order of reference of February 23rd, 1962, examined the said Bill and now report the same with the following amendment:

Page 1: Strike out the Title and substitute therefor "An Act to incorporate Brock Acceptance Company."

All which is respectfully submitted.

SALTER A. HAYDEN,
Chairman.

WEDNESDAY, March 14, 1962.

The Standing Committee on Banking and Commerce to whom was referred the Bill S-10, intituled: "An Act to incorporate Gerand Acceptance Company", have in obedience to the order of reference of February 23rd, 1962, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

SALTER A. HAYDEN,
Chairman.

MINUTES OF PROCEEDINGS

Pursuant to adjournment and notice the Standing Committee on Banking and Commerce met this day at 10:30 a.m.

WEDNESDAY, March 14, 1962.

Present: The Honourable Senators:—Hayden, *Chairman;* Aseltine, Brooks, Brunt, Burchill, Choquette, Connolly (*Ottawa West*), Croll, Dessureault, Gershaw, Gouin, Hugessen, Irvine, Isnor, Kinley, Leonard, McKeen, Power, Reid, Thorvaldson, Turgeon, Wall, White and Woodrow.—(24)

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel; and the Official Reporters of the Senate.

Bill S-9, intituled An Act to incorporate Brock Acceptance Limited and Bill S-10, intituled An Act to incorporate Gerand Acceptance Company, were read and considered.

On motion of the Honourable Senator Croll it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bills.

Mr. K. R. MacGregor, Superintendent of Insurance and Mr. Charles F. Doyle, Q.C., of counsel for the petitioners, were heard in explanation of the Bills.

It was Resolved to report Bill S-9, intituled An Act to incorporate Brock Acceptance Limited with the following amendment:

Page 1: Strike out the Title and substitute therefor "An Act to incorporate Brock Acceptance Company".

It was Resolved to report Bill S-10, intituled An Act to incorporate Gerand Acceptance Company without any amendment.

At 11:45 a.m. the Committee adjourned to the call of the Chairman.

Attest.

James D. MacDonald,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON BANKING AND COMMERCE

EVIDENCE

OTTAWA, Wednesday, March 14, 1962.

The Standing Committee on Banking and Commerce, to which was referred Bill S-9, to incorporate Brock Acceptance Limited, met this date at 11 a.m.

Senator SALTER A. HAYDEN (*Chairman*), in the Chair.

On a motion duly moved and seconded it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On a motion duly moved and seconded it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bill be printed.

The CHAIRMAN: We now come to consideration of Bill S-9, to incorporate Brock Acceptance Limited. We have with us this morning Mr. MacGregor, Superintendent of Insurance, and in accordance with our usual practice Mr. MacGregor will outline the provisions of the bill. Mr. MacGregor, would you come forward to tell us what you have to say about this bill?

Mr. K. R. MacGregor, Superintendent of Insurance: Mr. Chairman and honourable senators, the purpose of this bill, S-9, is of course to incorporate a small loans company that would have the powers conferred upon small loans companies by Section 14 of the Small Loans Act, and the company, if incorporated, would operate under the provisions of that act. Although all licensees under the Small Loans Act are frequently referred to as small loans companies, the fact is that the expression "small loans company" has a particular meaning under the Small Loans Act. The act defines a small loans company to mean a company incorporated by special Act of Parliament and authorized to lend money on promissory notes or other personal security, and on chattel mortgages. So, small loans companies in the strict sense of the definition include only companies incorporated by special Act of Parliament, and the powers conferred upon them by Section 14 in Part II of the Small Loans Act are, briefly, to engage in the business of making personal loans and secondly to carry on a so-called sales finance business, purchasing conditional sale agreements. All other licensees under the act are dealt with in Part I and are properly referred to as money-lenders. Consequently, in all of our published statistics, in our annual report and elsewhere we draw a distinction between small loans companies and money-lenders. At the present time there are only five small loans companies but there are 78 money lenders licensed under the act. There are altogether 83 licensees under the act.

Senator HUGESSEN: Seventy-eight under Part I and 5 under Part II.

Mr. MACGREGOR: The question naturally arises why there are so few small loans companies and so many money lenders. The answer briefly is that incorporation as a small loans company involves coming to Parliament and getting a special act, with all the trouble and expense which that procedure involves. Under the other method that is open to a person desiring to carry on

business as a money lender, he has simply to go to a province and seek incorporation by Letters Patent. In fact, that is what most persons desiring to engage in a finance business have done.

In practice, it might be unsatisfactory if companies incorporated by special act of Parliament had certain powers under Section 14 of the Small Loans Act and all others in the field, incorporated by Letters Patent in the provinces, had different powers. Therefore, from the time that the act came into force at the beginning of 1940, it has been the practice of our department, through arrangement with the various provincial secretaries in the several provinces, to ensure that where a prospective licensee is incorporated by a province, it is given in its Letters Patent the same powers as are found in section 14—which are the powers that the company would get if incorporated by special act of Parliament.

Senator BRUNT: Can you incorporate a money lender by Letters Patent under the Secretary of State Department?

Mr. MACGREGOR: It has not been the practice to do so, although Letters Patent are granted under the Companies Act in some cases—in several cases, in fact—to carry on a so-called sales finance business and sometimes to carry on a personal loan business also. However, a provision is put in the Letters Patent by the companies division to the effect that the company's powers do not extend to carrying on a personal loan business within the meaning of the small Loans Act. In other words, the Letters Patent rule out the possibility of a person carrying on a personal loan business in the field up to $1,500.

Senator BRUNT: When you speak of sales finance, does it mean that such a company would be entitled to purchase securities which are now in existence, rather than make direct loans to the borrowers?

Mr. MACGREGOR: Broadly speaking, the answer is yes. These companies may carry on two kinds of business. They may make cash loans on personal security—chattel mortgages, endorsed notes, and so on. Secondly, many of them carry on a so-called sales finance business purchasing conditional sale agreements from dealers.

Senator BRUNT: Would that include this—would they be allowed to purchase chattel mortgages, for instance?

Mr. MACGREGOR: Yes.

Senator CROLL: The small loan people and the money lenders for all purposes, as I gather, have the same powers and the same authority and can do the same thing.

The CHAIRMAN: And they are subject to the same limitations.

Senator CROLL: And the small loans people are under some disadvantage in that they have to go before Parliament if they want to be incorporated and could conceivably carry on business as money lenders just as easily. Then why do they come? What is the advantage to these people if they can, under very similar circumstances—exact circumstances—do business as money lenders?

Mr. MACGREGOR: Not many have come, Senator Croll. As I mentioned a moment ago, we have only five small loans companies licensed under the act now. Three of them were incorporated away back in the 1920's when the whole subject of personal loans was under such close scrutiny by various committees of Parliament and other bodies. At that time, among other things, there was some uncertainty concerning the constitutional powers of companies engaged in this kind of business. The two or three cases which date back to that time were cases involving substantial interests, where they wanted no doubt about their constitutional powers to carry on a lending business; and they came to Parliament, I believe, mainly for that reason. Since then, very few have come to Parliament.

Senator CROLL: Yes, but the five you mention are the giants and probably do 90 per cent of the business in Canada.

Mr. MACGREGOR: Not quite, sir. The largest, Household Finance Corporation of Canada, is included in the five.

Senator CROLL: Yes.

Mr. MACGREGOR: The second largest Beneficial Finance Company, is also included. The third is Community Finance in Montreal—the old Industrial Loan, which dates back to 1930 but which is very much smaller. The fourth is the Canadian Acceptance Company, which was incorporated just after the war and is still quite small. The fifth is a newcomer of about two years ago, the Laurentide Finance, in the Imperial Investment group, which although its business is increasing is still quite small.

Senator BRUNT: Mr. MacGregor, what is the name of the second company you mentioned?

Mr. MACGREGOR: Beneficial Finance which is the old Discount and Loan Corporation dating back to 1933. It was later called Personal Finance, and now is called Beneficial Finance.

I am sure the question arises in the minds of the members of the committee: Why have the principals in this case come to Parliament? The reason, briefly, is that although it has been the practice of practically all provinces to incorporate companies of this kind by letters patent, Manitoba has been an exception. Manitoba has refused to incorporate a loan company for many years except by special act of the legistlature.

There were some companies of this kind incorporated in Manitoba many years ago by letters patent, but the practice of the provincial authorites there has been to refuse to extend those letters patent in any way. They have on occasion restricted them, but they have not granted any new letters patent for this purpose.

Consequently, persons in Manitoba have up to date been required either to go to the legislature of Manitoba to get incorporated by special act there, or to come to Parliament, and in this case the promoters have chosen to come to Parliament.

I understand that the provincial authorities in Manitoba have recently been giving some consideration to a change in their provincial statutes so as to permit the incorporation of companies of this kind by letters patent, the same as is done in other provinces, but no such amendment has yet been made.

Senator CROLL: Let us take the case of an Ontario company that asks for a licence to operate in Manitoba—that is, a company incorporated in Ontario. Would it not in the ordinary course of events receive that licence without difficulty?

Mr. MACGREGOR: Such a company, Senator Croll, has had no difficulty operating in Manitoba because such a company obtains a licence under the Small Loans Act and is not licensed in the province of Manitoba.

The CHAIRMAN: It would have to register to do business.

Mr. MACGREGOR: It has to register, but there has been no impediment put in the way of such companies from carrying on business in Manitoba.

Senator BRUNT: Mr. MacGregor, what restriction is there on the rate of interest that can be charged under the Small Loans Act, Part II?

Mr. MACGREGOR: Since January 1, 1957 the maximum rate on a cash loan up to $300 has been two per cent per month. On the next layer of $700—that is, on a loan up to $1,000—the maximum rate is one per cent per month. On the next layer of $500—that is, above $1,000 but less than $1,500— the maximum rate is one half of one per cent per month.

Senator CROLL: Tell me—

Mr. MacGregor: May I add that it is a little difficult to interpret this graded scale in terms of a flat rate for loans of different amounts. For a loan originally made in the amount of $300 the effective rate is, of course, two per cent per month. For a loan of $500, if it runs its full term, the effective overall rate is 1.81 per cent per month.

Senator Brunt: That is the true rate?

Mr. MacGregor: Yes. For a loan of $1,000 the effective rate is 1.48 per cent per month, and for a loan of $1,500 the effective rate is 1.27 per cent per month.

The Chairman: That is on the assumption there are are no repayments?

Mr. MacGregor: That is correct, sir.

Senator Leonard: And there is no limitation above $1,500?

Mr. MacGregor: None at all, sir. The act applies only to cash loans made in amounts up to but not exceeding $1,500.

Senator Brunt: What happens if a company persistently makes loans up to $300 and charges three per cent per month?

Mr. MacGregor: Well, Senator, we have not encountered that situation, but if we did we would be after the company in short order, and would request the Department of Justice to take action against it. In fact, if such action were taken against it, and if it were a small loans company in the true sense of the word, then its charter, in effect, would be forfeited.

Senator Brunt: Is there not provision in the Criminal Code for a prosecution in the police court?

Mr. MacGregor: No, sir.

The Chairman: Section 4 of the act provides for the relief of the borrower in those cases.

Senator Thorvaldson: I was just going to add that if Senator Brunt had been in the house when this bill was explained on second reading he would not have needed to ask those questions because the answers were given there.

Mr. MacGregor: In this particular case the incorporators mentioned in clause 1 are Miss Beatrice Harriet Cohen, Mr. Arthur John Arkin—

The Chairman: Before you get to that I want to ask you this question. Do both of these types of companies do what you call a sales finance business? That is, are they small loan companies incorporated under this Small Loans Act, and also money lenders. Do they engage in both?

Mr. MacGregor: They may, but they do not all do so. Household Finance does not do it, but Beneficial Finance does.

The Chairman: To what extent does your inspection go? You inspect all of these companies, do you not?

Mr. MacGregor: We inspect annually all licensees under the act, and if a licensee carries on a sales finance business as well as a cash loan business then our inspection extends to the whole assets and liabilities of the company. But, in fact, the main objective is to ensure that the company on its personal loans up to $1,500 is not charging more than the maximum permitted.

The Chairman: That is, you have to look at the individual transactions?

Mr. MacGregor: We do, and our examiners call not only upon the head office of these lenders but when they are in the various cities engaged in other work, usually in the examination of insurance companies, it has been the practice to call on the various branches located across the country.

The Chairman: Do you distinguish between a personal loan business and a sales finance business?

Mr. MacGregor: Yes, we do.

Senator CHOQUETTE: May I ask a question, Mr. MacGregor? Most of these loan companies draw up their own chattel mortgages, I think you will agree, and they can charge $10 or, maybe, $15 to the borrower for that. They may charge fifty cents to register that chattel mortgage. If they have 200 a month then there is $2,000 net profit to the company which is probably not considered added to the interest rate. However, the profit is there. What control have you over that?

Mr. MACGREGOR: No, sir, there is no such additional profit to the lender whatsoever.

Senator CHOQUETTE: Does not the borrower pay for the chattel mortgage?

Mr. MACGREGOR: No, sir. These graded rates that I mentioned include the whole of the cost of the loan to the borrower. Section 2 defines the cost of a loan to mean the whole cost of the loan to the borrower whether the same is called interest or is claimed as discount, deduction from an advance, commission, brokerage, chattel mortgage and recording fees, fines, penalties or charges for inquiries, defaults or renewals or otherwise, and whether paid to or charged by the lender or paid to or charged by any other person. In fact, the definition goes on further still. These graded rates are the absolute maximum.

Senator GOUIN: Does that apply only to a company incorporated under the Small Loans Act?

Mr. MACGREGOR: No, sir. This definition of cost applies to every licensee under the act.

The CHAIRMAN: In relation to what are called personal loans?

Mr. MACGREGOR: That is correct. Cash loans made in amounts up to but not exceeding $1,500.

Of the three persons mentioned as incorporators in clause 1 of this bill I have met only one, namely, Mr. Jack Isaac Arkin whom I believe is the principal person behind this proposed company. Mr. Arthur John Arkin is his son. Miss Beatrice Harriet Cohen, I understand, is a friend of long standing who has invested substantial sums of money in other companies in which Mr. Jack Isaac Arkin is interested and who, I believe in this case, will supply a substantial part of the capital.

Mr. Jack Isaac Arkin called at the department about two weeks ago and we had a long discussion with him. I must say I was favourably impressed by him. He seems to be connected with perhaps half a dozen or ten companies of different kinds in and about Winnipeg engaged mainly in the automotive supply business and in the frozen food business. These companies deal in appliances of various kinds, refrigerators, television sets, new automobile parts and several other ventures.

A few years ago a partnership called Brock Finance Company was started to help finance some of these appliances sold by the other companies in which Mr. Arkin is interested.

In 1958 a company was incorporated in Manitoba called Brock Acceptance Limited for the same purpose. That company has, at the present time, assets of about $350,000. Now Mr. Arkin desires to engage in a personal loan business as well as in the financing of appliances and other goods on time through conditional sale agreements, and that is the main reason, as I understand it, why he is coming to Parliament now, seeking incorporation of this company.

Senator CROLL: Did I understand you to say, Mr. MacGregor, that there was a Brock Acceptance company now incorporated in the province of Manitoba?

Mr. MacGregor: Brock Acceptance Limited is the existing company, incorporated in 1958, and the intention is that the business of that company will be purchased by this company.

I may say, Senator Croll, the title of this bill is "Brock Acceptance Limited," but I understand it is desired to amend that title to "Brock Acceptance Company." The advertising, however, was done in the name of Brock Acceptance Limited, and I understand that is why the bill stands in that name.

Senator Croll: I see.

The Chairman: Have you had instances of this before, Mr. MacGregor, where Parliament has been asked to, and proceeds to give a name to a new company which is the name of an already existing company?

Mr. MacGregor: We have had cases of this kind, Mr. Chairman, in the transformation of provincial insurance companies to dominion status, where the dominion company has been given the same name as the provincial company, but it has been ensured that the provincial company would cease to do business immediately upon the transfer of its assets.

The Chairman: Has it been indicated to you that is proposed to be done here?

Mr. MacGregor: Only orally.

Senator Croll: Senator Thorvaldson knows something about this, and I may be wrong, but if we incorporate this company and put the people in the position where they are taking over, lock, stock and barrel, is not the Government being deprived of some tax benefits? Something is riding in my mind on that. I am not too sure about it.

Mr. MacGregor: I do not think it is ever possible to derive a tax advantage by buying the business of another company. The great danger is quite the opposite, that in winding up a company they will be taxed on their undistributed income. It is usually a worry rather than a desire to attain any tax advantage.

The Chairman: Except to the extent that merger provisions exist in some cases, which help a bit.

Senator Hugessen: I wonder if Senator Thorvaldson could tell us anything about what is proposed to be done with the provincial company. Is it not dangerous for us to give a charter to a dominion company under precisely the same name as what we are told is the provincial company's name?

Senator Thorvaldson: The intention is to surrender the charter of the provincial company.

Mr. MacGregor: As I understand it, it is not intended to give the new dominion company a name precisely the same as that of the existing provincial company.

The Chairman: But it would be very close to it.

Mr. MacGregor: It would be very similar—the only difference would be the word "Company" in place of the word "Limited."

Senator Gouin: I thought in cases of that kind there was a clause to the effect that the dominion company would purchase the assets and liabilities of the provincial company.

The Chairman: This company, when incorporated, is it going to acquire the assets of the existing company?

Senator Thorvaldson: That is my understanding.

The Chairman: Is the agreement in existence, with a clause requiring an undertaking to change the name, or to surrender the charter of the other company?

Senator THORVALDSON: I do not know, but Mr. Doyle is here, and can probably answer that.

Senator CROLL: I cannot get through my head for the moment what the advantages are. What is the need for this change? They have a company doing business with all the powers and all the limitations, and then they say, "We want to incorporate this new company". Am I right about that?

Mr. MACGREGOR: The existing company cannot carry on a personal loan business; and this company is going into that field.

Senator CROLL: I missed that.

Mr. MACGREGOR: I think there is very little additional I can add, honourable senators, unless you wish some information about the existing small loans field generally, and that is a pretty broad subject.

The CHAIRMAN: I should like to ask you just this question: supposing this question of the name is not resolved, and we approve of the incorporation here by special act, would you grant a license to this company to do business so long as there was a company outstanding under a name practically the same?

Mr. MACGREGOR: Yes, we would, in fact, Mr. Chairman. There are a great many instances now where there is a very high degree of similarity—for example, the Household Finance Corporation has almost from the outset had two companies, one which operates as a licensee under the act, and one which confines its operations solely to the field above $1,500 and, therefore, is not a licensee. The only difference between the names is the addition of the word "Limited" in one case.

The CHAIRMAN: Mr. Doyle.

Mr. Doyle is counsel for the petitioners. Would you come forward, please.

Does any honourable senator wish to ask Mr. Doyle some questions? Do we want a statement?

Mr. Charles F. Doyle, Q.C., Counsel for the petitioners: If I might add a word on the question of the surrendering of the charter, there is a definite agreement which is to be met when required, and it will become a binding agreement between the existing provincial company and the new company to be incorporated, whereby the entire assets will be taken over and the charter will be surrendered. After discussion with Mr. MacGregor, I understand the provincial company will be given approximately one year in which to wind up its own affairs. I understand the licence will not be granted to the present company to be incorporated unless there is such a binding agreement filed with the department.

The CHAIRMAN: Is that correct, Mr. MacGregor?

Mr. MACGREGOR: I think that is substantially my understanding, Mr. Doyle. In our interview with Mr. Arkin on February 28 he stated that the proposed company, when formed, would buy the assets of the existing company, whose existence would terminate soon thereafter; but we have not seen any formal agreement yet to that end.

Mr. DOYLE: We are prepared to file such an agreement at any time. The new Brock Acceptance company is not incorporated as yet, and once it comes into existence I think that would be the appropriate time for an agreement between the present provincial company and the new company which will come into existence.

Senator HUGESSEN: Is it correct that you will not grant the licence until you are in possession of the surrender of the charter of the provincial company?

Mr. MACGREGOR: We have not stipulated that. It has been the understanding, but on the one occasion we have met Mr. Arkin we have not yet ironed

out all the details of the transfer of the business. It is an understanding, but I should not like to say we have stipulated it.

Senator HUGESSEN: I think we should be perfectly happy to go ahead with it, provided that is the understanding, but it is in the hands of Mr. MacGregor.

Senator ASELTINE: This agreement would not be binding unless this company were incorporated.

Senator HUGESSEN: No.

The CHAIRMAN: If the Superintendent indicates there are certain ground rules and that unless they are met he will not license, then I am prepared to go ahead with this bill on that basis.

Senator CROLL: What we are saying is all very nice but the Superintendent must be in an awfully hot spot, an uncomfortable spot. We may pass this bill in the Senate and it may pass in the other place and become legislation, but I don't know what the Superintendent's position will be at that particular time. If he is prepared to say to us, "I will not grant a charter until such time as the other company is dissolved", I am prepared to go along with the Superintendent.

Mr. MACGREGOR: Ordinarily, Senator Croll, we have not made any such stipulation as that, and in many case the owners of these finance companies have more than one company. They often have an acceptance company, so to speak, as well. Usually there is some key word that is different in their names. It may be the Brock Finance Company in one case, and the Brock Discount Company in the other case; or again it might be Brock Finance in one case and Brock Acceptance in the other case. We have never had occasion to make a stipulation even though the names have been fairly similar, and we have had no difficulty in practice when the companies are under common ownership.

Senator CROLL: All right, if you are satisfied.

The CHAIRMAN: It seems to me there is this difference that we should not press too hard, that this new company when incorporated will be engaged in the personal loans field and have a licence, and the old company is not permitted to engage in that field. Therefore, there is not going to be anything of what you might call deception to the public in the carrying on of business because their lines of business are so markedly different. One must conform to the Small Loans Act, and the other one occupies a different field, even though they go along together and are controlled by the same people. Are you ready for the question?

Hon. SENATORS: Question.

The CHAIRMAN: Shall I report the bill without amendment?

Senator THORVALDSON: There is an amendment, Mr. Chairman.

The CHAIRMAN: Yes, there is a change in the title and the suggestion which has been made is that we strike out the title and substitue therefor, "An Act to incorporate Brock Acceptance Company". Is that agreed?

Hon. SENATORS: Agreed.

The CHAIRMAN: Shall I report the bill as amended?

Hon. SENATORS: Agreed.

The CHAIRMAN: We have another bill to deal with, Bill S-10, to incorporate Gerand Acceptance Company. Mr. MacGregor, could we hear from you on this?

Mr. MACGREGOR: Mr. Chairman, I can be quite brief since the purpose of Bill S-10 is almost exactly the same as the purpose behind Bill S-9. I should

mention that there is, however, a slight indirect connection between the two bills in that Mr. Jack Arkin is, I understand, a brother-in-law of Mr. Andrew Schwartz. There are three persons named Schwartz mentioned in clause 1 of Bill S-10 as incorporators. I met Mr. Andrew Osher Schwartz on the same day that I met Mr. Arkin. Lillian Schwartz is, of course, Andrew Schwartz' wife, and Gerald Schwartz is his son. I notice that on second reading of this bill a question was raised concerning the significance of the word "Gerand" in the title of the bill. I might explain that that word comes from Gerald and Andrew, two of the incorporators.

Senator REID: What is the significance of the word "Acceptance"? Is there any significance to that? The two bills we have dealt with have that word "Acceptance".

Mr. MACGREGOR: It is a word used very frequently, Senator Reid, in the sales finance field—Industrial Acceptance Corporation, and so on—being companies that in the main purchase conditional sale agreements from dealers.

The CHAIRMAN: Their business is accepting business.

Mr. MACGREGOR: Accepting paper from dealers.

Senator LEONARD: It is from the old English term of acceptance when the banks accepted the notes of the merchants.

The CHAIRMAN: That's right.

Mr. MACGREGOR: Although the persons I have named as the main principals behind these two bills are related by marriage, and although the same persons have a common interest in certain other kinds of business, including the automotive supply companies they own, there will be no connection whatsoever in the operation of these two so-called acceptance companies. It appears to me that in each case the father desires to create a company of this kind in which it is his hope that his son will become interested. I may say that in this case too I have been very favourably impressed by Mr. Andrew Schwartz.

The CHAIRMAN: Shall I report the bill without amendment?

Senator GOUIN: Is there also in the second case a provincial company with a similar name?

The CHAIRMAN: Yes, it is exactly the same way. Shall I report the bill without amendment?

Hon. SENATORS: Agreed.

The committee thereupon concluded its consideration of Bills S-9 and S-10.

Fifth Session—Twenty-fourth Parliament

1962

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

BANKING AND COMMERCE

To whom was referred the Bill C-49, intituled An Act to amend the Small Businesses Loans Act.

The Honourable SALTER A. HAYDEN, Chairman

WEDNESDAY, MARCH 14th, 1962

WITNESS

Mr. E. A. Oestreicher, Director, Resources and Development, Department of Finance.

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

26836-7—1

THE STANDING COMMITTEE ON BANKING AND COMMERCE

The Honourable Salter Adrian Hayden, Chairman

The Honourable Senators

*Aseltine	Farris	Monette
Baird	Gershaw	Paterson
Beaubien (*Bedford*)	Gouin	Pouliot
Beaubien (*Provencher*)	Hayden	Power
Bois	Horner	Pratt
Bouffard	Howard	Reid
Brooks	Hugessen	Robertson
Brunt	Irvine	Roebuck
Burchill	Isnor	Smith (*Kamloops*)
Campbell	Kinley	Taylor (*Norfolk*)
Choquette	Lambert	Thorvaldson
Connolly (*Ottawa West*)	Leonard	Turgeon
Crerar	*Macdonald (*Brantford*)	Vaillancourt
Croll	McDonald	Vien
Davies	McKeen	Wall
Dessureault	McLean	White
Emerson	Molson	Woodrow—49.

(Quorum 9)

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*Ex officio member.

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, March 13, 1962.

A message was brought from the House of Commons by their Clerk with a Bill C-49, intituled: "An Act to amend the Small Businesses Loans Act", to which they desire the concurrence of the Senate.

The Bill was read the first time.

With leave of the Senate,

The Honourable Senator Emerson moved, seconded by the Honourable Senator Choquette, that the Bill be read the second time now.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Emerson moved, seconded by the Honourable Senator Monette, that the Bill be referred to the Standing Committee on Banking and Commerce.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

26836-7—1½

REPORT OF THE COMMITTEE

WEDNESDAY, March 14, 1962.

The Standing Committee on Banking and Commerce to whom was referred the Bill C-49, intituled: "An Act to amend the Small Businesses Loans Act", have in obedience to the order of reference of March 13, 1962, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

SALTER A. HAYDEN,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, March 14, 1962.

Pursuant to adjournment and notice the Standing Committee on Banking and Commerce met this day at 10:30 a.m.

Present: The Honourable Senators: Hayden, *Chairman;* Aseltine, Brooks, Brunt, Burchill, Choquette, Connolly (*Ottawa West*), Croll, Dessureault, Gershaw, Gouin, Hugessen, Irvine, Isnor, Kinley, Leonard, McKeen, Power, Reid, Thorvaldson, Turgeon, Wall, White and Woodrow.—24.

In Attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel; and the Official Reporters of the Senate.

Bill C-49, intituled An Act to amend the Small Businesses Loans Act was read and considered.

On motion of the Honourable Senator Croll it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

Mr. E. A. Oestreicher, Director, Resources and Development, Department of Finance, was heard in explanation of the Bill.

It was Resolved to report the Bill without any amendment.

At 11:00 a.m. the Committee adjourned to the call of the Chairman.

Attest.

James D. Macdonald,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON BANKING AND COMMERCE

EVIDENCE

OTTAWA, Wednesday, March 14, 1962.

The Standing Committee on Banking and Commerce, to which was referred Bill C-49, to amend the Small Businesses Loans Act, met this day at 10.30 a.m.

Senator Salter A. Hayden (*Chairman*) in the chair.

On a motion duly moved and seconded it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On a motion duly moved and seconded it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bill be printed.

The CHAIRMAN: Honourable senators, the first bill before us this morning is C-49, to amend the Small Businesses Loans Act, and we have present Mr. Oestreicher, the Director of Resources and Development, Department of Finance. Would you like to have a general statement from him, or would you like to start off by asking him your questions?

Senator CROLL: I think we should have him make a general statement first.

Mr. E. A. Oestreicher, Director of Resources and Development, Department of Finance: Mr. Chairman, and honourable senators, the amendment before you is with respect to only one section of the act, and it serves to add to the loan purposes which are authorized under this legislation. In effect, it will permit dealing with the requirements of a small business enterprise in cases where a relocation of the business enterprise is necessary or desirable.

I believe this is really substantially the intent behind this amendment.

The CHAIRMAN: Are you proposing ground rules for the guidance of the bank? What are the conditions under which funds may be advanced for relocation to alternative premises?

Mr. OESTREICHER: Well, the amendment actually spells out the conditions under which such loans might be made, and these are in cases where the existing business premises cease to be available, or where the failure to locate a business enterprise in alternative premises will impede the carrying on of the enterprise, or the reasonable expansion thereof.

The CHAIRMAN: Yes, but you will notice that it is qualified by the words "... where, in the opinion of a responsible officer of the bank ...". That is why I asked if there were any ground rules. Do you lay down any ground rules for the banks to follow in making such a determination?

Mr. OESTREICHER: No, sir, the banks are responsible for administering this scheme, and it is left to their discretion in each particular case as to whether or not to approve the loan.

Senator CROLL: As it is now, application is made to the bank for a loan, and if the bank in its discretion is prepared to make the loan the Government will guarantee how much of that?

Mr. OESTREICHER: The Government will guarantee the loan provided it conforms to the conditions laid down in the act.

Senator CROLL: To the extent of what?

Mr. OSTREICHER: Well, the Government guarantee equals ten per cent of the loans made by a bank.

Senator CROLL: The total?

Mr. OESTREICHER: Yes.

Senator CROLL: Then, the bank carries 90 per cent; is that correct?

Mr. OESTREICHER: That is right. That takes into account all of the loans made by the bank.

Senator HUGESSEN: I do not think we have this clear. Take one individual loan. Does the Government guarantee the whole loan to the bank, or just ten per cent of it?

Mr. OESTREICHER: In practice it really works out to that effect. If the bank makes ten loans of $1,000 each, and one of those goes sour, then the Government will guarantee ten per cent of all the loans made by that bank and so it will reimburse the bank to the full amount of the particular loan that has gone sour, namely, to the extent of $1,000.

Senator LEONARD: It is ten per cent of the total amount of the loans made?

Mr. OESTREICHER: Yes.

Senator THORVALDSON: That is, one and all loans made under this particular act?

Mr. OESTREICHER: That is right, sir.

Senator THORVALDSON: What you are trying to get at is the interest that the officer of the bank has in seeing that this is got out.

Senator CROLL: Yes.

Mr. OESTREICHER: All I can say in this respect is that this scheme under this act is very much the same as you have it under the Farm Improvement Loans Act, which has been in operation since 1944, and under which over $1 billion was loaned the farmers, and the loss experienced from that operation is about 1/10 of 1 per cent of the loans made.

Senator CROLL: There was a table placed on *Hansard* last night by the sponsor of the bill, Senator Emerson. I have no doubt that you prepared that table. It is a small business loan breakdown by major categories. Have you a copy of that in front of ycu?

Mr. OESTREICHER: I have some figures here. I am not quite sure if I have exactly the same table.

Senator CROLL: I assume the department drafted the copy. In any event, looking at the table, which will appear in *Hansard,* it would seem that in the Atlantic provinces, both in number and in total dollars, it was about one-half of what it is in the province of British Columbia and a little less than what it is in the province of Alberta. Do you agree with that?

Mr. OESTREICHER: That is right.

Senator CROLL: Well, the purpose of the act was to help small businesses in one way or another, and to define a small business I think the extent of the turnover is $250,000?

Mr. OESTREICHER: Yes.

Senator CROLL: Can you give some explanation as to why so little use was made of this in the Atlantic provinces as compared to what use was made of it in British Columbia and Alberta?

Mr. OESTREICHER: Well, Senator, the only thing I could really say by way of explanation is that this act has been in operation for a relatively short period of time.

Senator CROLL: December, 1960, was it not?

Mr. OESTREICHER: It went into effect on January 19, 1961, just about a year ago. It may well be that in some areas it takes longer for the information to percolate.

Senator BURCHILL: They are slower down in the Atlantic provinces. Mr. Chairman, this amendment deals with the construction or purchase of alternative premises, which would be something in the nature of a capital charge. I think the witness might enlighten the committee as to what the advantages would be in a small business taking advantage of this act rather than doing business with the Industrial Development Bank.

Senator BRUNT: Have you ever dealt with the Industrial Development Bank?

Senator BURCHILL: Yes.

The CHAIRMAN: Go ahead.

Senator BURCHILL: I think that question should be answered.

Mr. OESTREICHER: Of course, there is the question of convenience. If it is a small project and the maximum loan under this legislation is $25,000, it would be a matter of convenience to go to the bank with which you deal ordinarily and receive a loan under this legislation. It is perhaps with respect to loans of larger amounts that the type of service which the Industrial Development Bank provides becomes more important. I have in mind technical advice and managerial advice, and so on.

Senator HUGESSEN: Is it not also true that the Industrial Development Bank requires a great deal of paper work?

Mr. OESTREICHER: Yes.

Senator BURCHILL: What about the term of the loan? With the ordinary chartered banks, unless you have some special arrangement, you are expected to pay the loan back within a certain length of time. Is that not correct?

Senator WOODROW: Correct.

Senator BURCHILL: Does this act give the borrower any special advantages in that respect?

Mr. OESTREICHER: Yes, senator. Loans may be made for a term of as long as ten years. In fact, to a large extent the purpose of this legislation is to provide to small businesses the benefits of term loans.

Senator CROLL: What is the interest rate?

Mr. OESTREICHER: Five and one-half per cent.

Senator CROLL: What is the average loan?

Mr. OESTREICHER: $8,600 in round figures.

Senator CROLL: What are you doing, for instance, to make this—

The CHAIRMAN: Popular?

Senator CROLL: —knowledge available to various small business people in the provinces?

Mr. OESTREICHER: There is a circular, and there have also been newspaper advertisements.

Senator CROLL: In all the provinces?

Mr. OESTREICHER: Yes, sir. Furthermore, the banks, of course, are conversant with this.

Senator BRUNT: The banks go out and canvass for these loans all the time.

Mr. OESTREICHER: In addition, it has been given quite a bit of publicity by trade journals such as journals of the Retail Merchants Association, and so on.

Senator CROLL: What was the total fund available under the act?

Mr. OESTREICHER: The act permits Government guarantee to be made on a maximum of $300 million of loans over a three-year period.

Senator CROLL: And you have been in business since January, 1961?

The CHAIRMAN: That's right.

Senator CROLL: A little over a year. How much of that fund has been used?

Mr. OESTREICHER: $25½ million.

Senator CROLL: I put it to you, in looking at these figures I notice that in the province of Newfoundland, and that is the smallest one, in the manufacturing industries there were three applications; in the wholesale industries there were three applications; in the service industries there were four applications, and in the retail industries there were thirteen. I don't ask you to agree with me but it would appear from what we know of Newfoundland that this legislation could be very useful for people in small businesses in Newfoundland. How do you explain the fact so few have taken advantage of it within a period of a year?

Mr. OESTREICHER: I really have no specific information on local conditions and I really could not add anything useful on that.

Senator CONNOLLY (*Ottawa West*): Aside from the number that have been processed, could you tell us how many applications have come in?

Mr. OESTREICHER: We have no figures on this. We only have figures on the number of loans actually made.

The CHAIRMAN: I think you would have to get that information from the banks—how many applications have been declined.

Senator KINLEY: How many losses have you had?

The CHAIRMAN: Have you had any losses yet?

Mr. OESTREICHER: No, sir.

Senator LEONARD: Could the witness say, Mr. Chairman, whether the figure quoted of the amount loaned, some $25 million or $30 million, is the total of all the loans advanced or the total amount outstanding?

Mr. OESTREICHER: No, it is the total amount advanced.

Senator LEONARD: Have you a record of how much is still owing on those loans?

Mr. OESTREICHER: Yes, sir.

Senator LEONARD: Have you any figures?

Mr. OESTREICHER: As of November 1961 the amount of loans outstanding amounted to $23.6 million.

Senator LEONARD: $23.6 million, compared with something over $25 million which had been originally advanced?

Mr. OESTREICHER: Roughly $2 million was repaid.

Senator LEONARD: Would that be some indication of the extent to which the loans are being repaid; that is, is the term of repayment considerably less than the average maximum of 10 years?

Mr. OESTREICHER: Well, I have no figures on this; but I would think, judging again from my experience of the Farm Improvement Loans Act, that the term of the average loan is less than 10 years.

Senator LEONARD: And therefore the repayments are perhaps of the order of 20 per cent a year, or something of that kind?

Mr. OESTREICHER: Yes.

The CHAIRMAN: Witness, I was wondering when you were talking about the construction of alternative premises. If we take construction for the moment, on whose land would this construction of premises take place?

Mr. OESTREICHER: Well, normally, in practically all cases, it would be on the land of the owner, the ultimate owner.

Senator BRUNT: No; a tenant can get a loan.

The CHAIRMAN: You mean, with regard to a loan to construct a building suitable for a small business operation they would loan to a tenant on land somebody else owns?

Mr. OESTREICHER: No, sir.

Senator HUGESSEN: That is the responsibility of the bank, is it not, because it makes the loan?

Senator CONNOLLY (*Ottawa West*): Do they take mortgages?

Mr. OESTREICHER: Yes, sir.

Senator CONNOLLY (*Ottawa West*): In every case?

Mr. OESTREICHER: When it is available, yes.

Senator CONNOLLY (*Ottawa West*): What do you mean, "when it is available"?

Mr. OESTREICHER: Well, some of these loans may be made for the purchase of equipment.

Senator CONNOLLY (*Ottawa West*): And they take out a mortgage?

Mr. OESTREICHER: Yes.

Senator CONNOLLY (*Ottawa West*): But when it is a property, you always take a mortgage. I take it that what the bank does you have to scrutinize before you supply your guarantee?

The CHAIRMAN: No. Senator, under this statute the bank must satisfy itself that what it is doing entitles it to qualify for the guarantee, and the Government has an "out", if it does not meet the requirement.

Mr. OESTREICHER: The regulations really lay down certain conditions on the security requirements; but in the light of the situation—

Senator CONNOLLY (*Ottawa West*): Senator Brunt has said that tenants can qualify. Tenants cannot give you a mortgage.

Mr. OESTREICHER: The situation is this, that in the case of loans for the purchase of equipment, loans can be made to a tenant or owner. In the case of the improvement of premises, a loan may be made to a tenant provided he has a lease extending two years beyond the term of a loan.

Senator ISNOR: I should like the witness to enlarge on the definition of the word "improvement". Just what does that cover?

Mr. OESTREICHER: Well, sir practically anything that will enhance the business operations.

Senator ISNOR: I will accept that. Now, Mr. Chairman, I was wondering, because of the inroads being made by the shopping centres on the small retail business, and particularly because of their parking facilities, whether the current parking facilities would constitute an improvement charge.

The CHAIRMAN: Well, being a Small Loans Act, there may be small parking facilities.

Senator ISNOR: It does not matter about small or large. I am asking whether parking facilities are included in the definition "improvements"?

Mr. OESTREICHER: Well, actually there is no restriction, except that loans may not be made for the purchase of land.

Senator ISNOR: That does not answer my question, which is a simple one I think, with regard to parking facilities. Supposing I had a property and was carrying on business, and I acquired in the rear an important business property, a vacant lot, and wished to improve that by painting it; would I be entitled to borrow on that?

Mr. OESTREICHER: I would think so, sir.

Senator HUGESSEN: Would that not come under (d)(iii), in the explanatory note of the bill, which says:

> the renovation, improvement or modernization of premises or the alteration or extension of premises;

Senator ISNOR: There appeared to be some question in mind with regard to that.

Senator CROLL: Following up what you said about the knowledge that there is about the facilities that are available: When the Senate Committee on Manpower and Employment studied the question of employment in Canada, the Maritime provinces or the Atlantic provinces had at that time the highest regional unemployment, which was 10.6. The lowest percentage of employees in manufacturing was 16 per cent, and the greatest differential in seasonal unemployment, 8.2 per cent. In the light of that, do you think that you have done enough to get your story across to the people who could possibly be customers for this act, and in the light of the fact that you have so much money available that you are not using?

Mr. OESTREICHER: Well, sir, the only thing I can say is that I must refer to the things that have been done; and in the light of your specific remarks, I might point out that the Department of Labour in that particular connection have, with their employment program, laid out advertisements which specifically refer to the benefits available under this legislation.

Senator CROLL: But in the light of this, is there not something more that needs to be done to popularize this act among people who could conceivably use it?

Mr. OESTREICHER: I might say that a second and more extensive brochure on the operations and terms and conditions of the legislation is in preparation right now, and we expect it will be out before too long.

The CHAIRMAN: Any other questions?

Senator BRUNT: I would like to ask the witness if he has any figures on the number of loans made to cooperatives.

Mr. OESTREICHER: No, sir. I have not a breakdown either to partnerships or to corporations or to cooperatives.

Senator BRUNT: Do you know if any loans have been made to cooperatives?

Mr. OESTREICHER: Not offhand, sir.

Senator BRUNT: I understand the act is so restrictive that they cannot come under it?

Mr. OESTREICHER: No, sir; cooperatives are eligible, along with partnerships and corporations.

Senator BRUNT: It is probably because of the amount of business they do. Over 95 per cent of the co-operatives do over a quarter of a billion dollars worth of business in a year—therefore they cannot qualify.

Mr. OESTREICHER: This act is supposed to serve specifically the interests of small business enterprises, and this happens to be defined at a figure of $250,000 in gross revenues.

Senator ISNOR: How did you arrive at that term small business and correlate it to $250,000 of business a year?

Mr. OESTREICHER: Essentially it was a Government decision.

Senator CONNOLLY (*Ottawa West*): What percentage of the money that has been advanced was advanced for equipment, and what amount for improvements to land and buildings?

Mr. OESTREICHER: From the inception of operations to the end of December 1961, $8 million were advanced in respect of equipment, and $17.5 million in respect of construction.

Senator WALL: Mr. Chairman, I know that one year is not a sufficiently long length of time to know if we are going to incur any losses under this legislation, but would the witness have any idea how much it is costing the Canadian people to operate this legislation, to administer it, for a year?

Mr. OESTREICHER: Well, sir, there is of course the cost of the administrative unit in the Department of Finance. I might say that this unit serves not only the Small Business Loans Act but also the Farm Improvement Loans Act and the Fisheries Improvement Loans Act, so that the overhead is spread very wide.

Senator LEONARD: Mr. Chairman, along this line of the question of the ceiling, the size of a company that is considered to be a small business. I suppose it is a question of Government policy but there is a quotation that appeared in *Hansard* of the other place, where James A. Shields of the Small Loans Branch is reputed to have said that experience had convinced members of his department that the ceiling of $250,000 is too low. My question is, is Mr. Shields a member of the same department as the witness?

Mr. OESTREICHER: Yes, he is.

Senator LEONARD: Is that a correct statement, the one made by Mr. Shields?

Mr. OESTREICHER: I would not know, sir.

Senator LEONARD: Has the witness any view as to what the viewpoint of the department is as to whether the ceiling is too low?

Mr. OESTREICHER: No, sir.

The CHAIRMAN: Is that Mr. Shields' own personal view?

Mr. OESTREICHER: I really have no further comments to offer.

The CHAIRMAN: Are you the director of this particular administration?

Mr. OESTREICHER: No, sir.

Senator LEONARD: Is Mr. Shields senior to the witness?

Mr. OESTREICHER: No, sir.

Senator BRUNT: What is your official position?

Mr. OESTREICHER: I will be glad to answer questions of fact. Mr. Shields is an officer in the Farm Improvement Loans section of the department.

The CHAIRMAN: Any other questions?

Are you ready for the question?

Shall I report the bill without amendment?

Hon. SENATORS: Agreed.

—Thereupon the committee concluded its deliberations on Bill C-49.

Fifth Session—Twenty-fourth Parliament
1962

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

BANKING AND COMMERCE

To whom was referred the Bill S-19, intituled: "An Act to amend the Canada Grain Act".

The Honourable SALTER A. HAYDEN, Chairman

WEDNESDAY, MARCH 28th, 1962

WITNESSES:

Mr. M. J. Conacher, Chief Inspector, Board of Grain Commissioners and Mr. J. W. Channon, Assistant Chief, Grain Division, Department of Agriculture.

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

26919-1—1

THE STANDING COMMITTEE ON BANKING AND COMMERCE

The Honourable Salter Adrian Hayden, *Chairman*

The Honourable Senators

*Aseltine	Gershaw	Pearson
Baird	Gouin	Pouliot
Beaubien (*Bedford*)	Hayden	Power
Beaubien (*Provencher*)	Horner	Pratt
Bois	Howard	Reid
Bouffard	Hugessen	Robertson
Brooks	Irvine	Roebuck
Brunt	Isnor	Smith (*Kamloops*)
Burchill	Kinley	Taylor (*Norfolk*)
Campbell	Lambert	Thorvaldson
Choquette	Leonard	Turgeon
Connolly (*Ottawa West*)	*Macdonald (*Brantford*)	Vaillancourt
Crerar	McDonald	Vien
Croll	McKeen	Wall
Davies	McLean	White
Dessureault	Molson	Woodrow—50.
Emerson	Monette	
Farris	Paterson	

*Ex officio member.

(Quorum 9)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, March 27th, 1962.

Pursuant to the Order of the Day, the Honourable Senator Aseltine, P.C., moved, seconded by the Honourable Senator Brunt, that the Bill S-19, intituled: "An Act to amend the Canada Grain Act", be read the second time.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Aseltine, P.C., moved, seconded by the Honourable Senator Pearson, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—
Resolved in the affirmative.

J. F. MacNeill,
Clerk of the Senate.

REPORT OF THE COMMITTEE

WEDNESDAY, March 28, 1962.

The Standing Committe on Banking and Commerce to whom was referred the Bill S-19, intituled: "An Act to amend the Canada Grain Act", have in obedience to the order of reference of March 27, 1962, examined the said Bill and now report the same without any amendment.

All of which is respectfully submitted.

SALTER A. HAYDEN,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, March 28, 1962.

Pursuant to adjournment and notice the Standing Committee on Banking and Commerce met this day at 10.30 A.M.

Present: The Honourable Senators:—Hayden, *Chairman;* Aseltine, Baird, Beaubien (*Provencher*), Beaubien (*Bedford*), Bouffard, Brunt, Burchill, Campbell, Croll, Dessureault, Gershaw, Gouin, Horner, Irvine, Isnor, Kinley, Leonard, McLean, Pearson, Pratt, Reid, Smith (*Kamloops*), Taylor (*Norfolk*), Thorvaldson, Turgeon, Vaillancourt, Wall, White and Woodrow.—30.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel, and the Official Reporters of the Senate.

Bill S-19, An Act to amend the Canada Grain Act, was read and considered.

On Motion of the Honourable Senator Croll it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

Mr. M. J. Conacher, Chief Inspector, Board of Grain Commissioners, and Mr. J. W. Channon, Assistant Chief, Grain Division, Department of Agriculture, were heard in explanation of the Bill.

It was Resolved to report the Bill without any amendment.

Attest.

James D. MacDonald,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON BANKING AND COMMERCE

EVIDENCE

OTTAWA, Wednesday, March 28, 1962

The Standing Committee on Banking and Commerce, to which was referred Bill S-19, to amend the Canada Grain Act, met this day at 11.30 a.m.

Senator SALTER A. HAYDEN (*Chairman*), in the Chair.

On a motion duly moved it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On a motion duly moved it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bill be printed.

The CHAIRMAN: Honourable senators, we have for consideration Bill S-19, an act to amend the Canada Grain Act.

We have present, representing the department, Mr. M. J. Conacher, who is the Chief Inspector, Board of Grain Commissioners; and Mr. J. W. Channon, the Assistant Chief, Grain Division, Department of Agriculture.

Mr. Conacher, are you going to answer whatever questions may be asked?

Mr. M. J. Conacher, Chief Inspector, Board of Grain Commissioners: Yes, sir.

The CHAIRMAN: Gentlemen, this is Mr. Conacher, who is the Chief Inspector of the Board of Grain Commissioners. Are there any questions the members of the committee wish to ask him?

Senator ISNOR: Mr. Chairman, I was wondering whether there was a somewhat similar bill introduced in the House of Commons recently?

Mr. J. W. Channon, the Assistant Chief, Grain Division, Department of Agriculture: Perhaps I can answer that question, Mr. Chairman. Bill C-15 was introduced by Mr. Rapp, and has not yet received second reading, and probably will be allowed to stand if this bill goes through.

The CHAIRMAN: Do you mean it was introduced in the House of Commons as a private bill?

Mr. CHANNON: Yes, as a private bill, Mr. Chairman.

Senator REID: I was interested in the amount of money received by the farmers. What do they get per pound?

Mr. CHANNON: The farmers, I understand, have been receiving close to 4 cents a pound for rapeseed and, I believe, somewhere between 1½ cents and 2 cents per pound for mustard seed.

Senator CROLL: Mr. Chairman, this occurs to me, before we get any further. I was not aware of this, and I do not think the matter arose last night in the House. At least, I did not hear it mentioned, if the honourable Leader of the House said so. However, if there is a similar bill which has already received second reading in the other place—

The CHAIRMAN: No, it has not received second reading yet.

Senator CROLL: Is that not what I understood someone to say?

Mr. CHANNON: No, it has not received second reading yet.

The CHAIRMAN: It has had first reading.

Senator ISNOR: Was a resolution not introduced and the bill considered? I think there was a discussion, that I remember.

Mr. CHANNON: I am not sure of this, and I had better not say, but, in my opinion, there was no resolution.

The CHAIRMAN: It would not be a resolution, no.

Senator CROLL: You had better get the record and look at it, to make sure.

Senator ASELTINE: There was no other bill.

Senator CROLL: No, but a private bill, someone said. Perhaps it received first reading, was debated and did not receive second reading; but I understand someone to say that it did receive second reading.

Senator ASELTINE: That was a bill introduced by Mr. Rapp, member of Parliament, to have mustard seed put in the same category as rapeseed and flaxseed.

Senator CROLL: It was not a similar bill to this?

Mr. CHANNON: The bill was similar, but the definitions in Mr. Rapp's bill are not exactly the same as those contained in this bill.

Senator REID: This bill has not been introduced into the Commons at all?

Mr. CHANNON: No, it has not.

The CHAIRMAN: Have you a copy of that Rapp bill?

Mr. CHANNON: I think so, sir.

The CHAIRMAN: May I have a look at it, please? (Document handed).

Mr. CHANNON: I have here extracts taken right from the bill. This is Mr. Rapp's bill compared to the present bill.

The CHAIRMAN: These are schedules to the bill.

Mr. CHANNON: Yes, schedules to the bill.

The CHAIRMAN: Where is the bill itself?

Mr. CHANNON: Taken from here.

The CHAIRMAN: This private bill introduced in the Commons was entitled, Bill C-15, and it was an act to amend the Canada Grain Act (Rapeseed and Mustard seed). It provided in section 1 that:

> Schedules One and Two to the *Canada Grain Act* are amended by repealing the tables for Rapeseed respectively therein and by substituting therefor in each Schedule the table set forth in Schedule A to this Act.

Section 2 provided:

> Schedule One to the said Act is further amended by adding thereto, immediately after the table for Peas therein, the table set forth in Schedule B to this Act.

That is the whole bill.

Senator ISNOR: What was the date of that bill, on the front page?

The CHAIRMAN: The first reading was on January 22, 1962.

Senator ISNOR: January 22?

The CHAIRMAN: Yes.

Senator BEAUBIEN (*Provencher*): That bill that you have just mentioned, has that passed?

The CHAIRMAN: No. The schedules which were attached to that bill provided for changes in the original schedules on this item, rapeseed, presently in the Canada Grain Act.

Senator REID: Does anyone know what happened to that bill in the Commons?

The CHAIRMAN: Do you know what happened to it?

Mr. CHANNON: Mr. Rapp spoke on second reading. It was talked out and went to the bottom of the list, and he probably will, if this bill goes through, agree to allow his bill to stand down.

Senator STAMBAUGH: It was talked out?

Mr. CHANNON: Yes, it was.

The CHAIRMAN: They talked for an hour, and it went to the bottom of the list, and it has not got to the top again. This raises a very interesting question, that of having parallel legislation proceeding in both houses.

Senator ASELTINE: I understand these grade schedules in the Rapp bill were not entirely acceptable to the Board of Grain Commissioners, and that is the reason, or one reason, why this bill has been brought in.

The CHAIRMAN: Mr. Conacher, is that what you have to say? Would you tell us what are the differences between the schedules to this bill we are considering and the schedules attached to Mr. Rapp's bill in the Commons?

In the case of rapeseed the main difference is in the percentage of damaged seed which appears, in the degree of soundness. In the original bill it was 20 per cent of damage, in No. 2 and 40 per cent in No. 3; whereas in the present bill it is 20 per cent of damaged seed in No. 2, as against 20 per cent in the honourable Mr. Rapp's bill; and 20 per cent in the present bill as compared with 40 per cent for honourable Mr. Rapp's presentation.

The CHAIRMAN: Roughly, on the degree of soundness, your schedules in this bill do not permit as great a degree of damage as the bill proposed by the honourable Mr. Rapp.

Mr. CONACHER: As mustard seed in the other bill?

The CHAIRMAN: Yes. In relation to mustard seed, what would the chief difference be?

Mr. CONACHER: In mustard seed the main item here is in regard to the content of seeds that are strictly detrimental to quality with corn cockle being given as an example. This, we learned in the interim, is extremely detrimental because it is a tropic seed and there is a trade objection to it which is extremely strenuous.

The CHAIRMAN: What did the honourable Mr. Rapp propose as to the degree of soundness and what does your bill propose?

Mr. CONACHER: In regard to the degree of soundness we have, in the case of no. 1, the extra no. 1 is the same—no. 1, two per cent in honourable Mr. Rapp's bill, 1½ per cent of damaged seeds in the new bill; and a provision for a small tolerance of heated kernels in the new.

Similarly, in the new honourable Mr. Rapp's bill it showed 5 per cent damaged seeds, whereas in the new bill we have shown 3 per cent on damaged seeds and some lesser percentage for heat tolerated. The same applies to no. 3, where it is 20 per cent damaged seeds, in the first one.

The CHAIRMAN: That is in honourable Mr. Rapp's bill.

Mr. CONACHER: Yes, and 5 per cent in the present bill.

The reason for this is that we made comparisons with the Manitoba mustard seed grades, with which ours must compete, and these are made essentially to compete with Manitoba requirements, on the theory that we could not compete unless our grades are as high as theirs.

Senator REID: I see that the percentage of rapeseed as compared to mustard is 0.01 for mustard whereas rapeseed is 1.0 per cent and it is the same right through.

Mr. CONACHER: If you examine this closely, you will see that, referring to extra grade, no. 1, yellow mustard seed—no. 1 grade follows that—mustard no. 1 is applied to yellow mustard seed which is used in the continental trade, only for powder and paste mustard, which has to be an extremely high class product and therefore we have a special grade set up to look after this.

Senator ISNOR: The reason I raise this question is that I cannot understand why the Government did not amend this bill which was introduced in January, instead of bringing in a new bill through the Senate.

Senator ASELTINE: They never introduced a bill in January.

Senator ISNOR: I just asked the date.

Senator ASELTINE: This is a private member's bill.

Senator ISNOR: I asked why they did not amend this bill.

The CHAIRMAN: We considered a bill in the Senate which was a private bill introduced in the House of Commons, where the Government voted for it. That bill was permitted to go through the House of Commons and it has gone through the Senate, I believe.

Senator CROLL: What bill?

The CHAIRMAN: We did have a private bill before us about a week or so ago.

Senator ASELTINE: The rapeseed bill was a Government bill.

The CHAIRMAN: That is not the one I am thinking of. It was another bill we considered, respecting the Representation Act, in regard to the Northwest Territories. It started out as a private bill in the House of Commons and everyone voted for it and it came over to us and it was introduced in the Commons on the Government side so I assumed that it was then sponsored by the Government. I am wondering why there was a different practice here. I am wondering why it is a different practice, but if it is Government policy that is another matter.

Senator REID: In the Commons a bill was talked out in the private members class, whereas the bill on representation was passed through.

Senator LEONARD: This is a different bill. I should like to ask whether there is any organization which represents particularly the mustard seed growers and the rapeseed growers, in so far as organization is concerned, perhaps on the Federation of Agriculture. In other words, is there any person here to speak on behalf of those farmers, as to whether these are the proper grades they have when they are selling their mustard seed and rapeseed?

Mr. CONACHER: The original definitions were presented to the trade at large, including the Canadian export trade and the internal trade, which includes the farmers' co-operatives. Therefore, the information became public property after the honourable Mr. Rapp's bill had been introduced; and we asked for the reactions of the trade in general to this. We have received concurrence in it in a general sense, except that some of the people overseas to whom this was referred by the exporters would have our grades somewhat more stringent than they are. We felt we were pursuing a middle course in this, considering the interests of the domestic trade and our own growers in comparison with the export trade.

The CHAIRMAN: Do you mean by that that you submitted your proposed changes to these various groups?

Mr. CONACHER: Yes.

Senator LEONARD: You believe, then, that this grading has the support of the Canadian growers?

Mr. CONACHER: We received very little pointed reaction from them. I am sure I am safe in saying that we have no objection from them.

Senator A. L. BEAUBIEN: Is it not the principle of this bill to allow the Board of Grain Commissioners to specify the bushel rate which mustard seed or rapeseed will contain, in order to enable us to say to the importers: "Here is the grade and you can depend on it being just the same as we do with wheat."

The CHAIRMAN: Say to the exporter, you mean?

Senator BEAUBIEN: No, but the importer when he takes the grade of grain and it is approved by the Board of Grain Commissioners, he knows he has an article which is of such and such a quality and can be relied upon. Is not that the principle behind this bill?

Mr. CONACHER: Yes.

Senator STAMBAUGH: I am sure that at least the farmers' organizations will approve of this. There was some dissatisfaction in selling mustard seed, for example, by sample, when we were competing with the United States where they have grades. My understanding is that this means now that the grades will be similar to those with which we are competing in the United States. That is correct, is it not?

Mr. CONACHER: Yes, sir, that is correct. These grades follow very closely the pattern of Montana grades with which we are competing.

Senator STAMBAUGH: So, this bill will put the Canadian seed grower on a par with respect to competition with the United States seed grower? Our exports will be competitive in the same way as are those of the United States?

Mr. CONACHER: Yes.

Senator STAMBAUGH: I would say that the western farmers like to have their grain graded so that when the importers want to buy it they know what they are getting. This bill will put mustard seed on the same footing as wheat, oats and barley.

The CHAIRMAN: Are there any other questions? Shall I report the bill without amendment?

Hon. SENATORS: Agreed.

The committee thereupon adjourned.

Fifth Session—Twenty-fourth Parliament
1962

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

BANKING AND COMMERCE

To whom was referred the following Bills:
S-15, intituled: "An Act respecting The Canadian Indemnity Company and the Canadian Fire Insurance Company"; S-12, intituled: "An Act respecting Reliance Insurance Company of Canada", and S-18, intituled: "An Act to incorporate Greymac Mortgage Corporation".

The Honourable SALTER A. HAYDEN, Chairman

WEDNESDAY, MARCH 28th, 1962

WITNESS

Mr. K. R. MacGregor, Superintendent of Insurance.

REPORTS OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

26917-5—1

THE STANDING COMMITTEE ON BANKING AND COMMERCE

The Honourable Salter Adrian Hayden, *Chairman*

The Honourable Senators

*Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Bois
Bouffard
Brooks
Brunt
Burchill
Campbell
Choquette
Connolly (*Ottawa West*)
Crerar
Croll
Davies
Dessureault
Emerson
Farris
Gershaw
Gouin
Hayden
Horner
Howard
Hugessen
Irvine
Isnor
Kinley
Lambert
Leonard
*Macdonald (*Brantford*)
McDonald
McKeen
McLean
Molson
Monette
Paterson
Pearson
Pouliot
Power
Pratt
Reid
Robertson
Roebuck
Smith (*Kamloops*)
Taylor (*Norfolk*)
Thorvaldson
Turgeon
Vaillancourt
Vien
Wall
White
Woodrow—50.

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*Ex officio member.

(Quorum 9)

ORDERS OF REFERENCE

Extracts from the Minutes of the Proceedings of the Senate, Tuesday, March 20th, 1962.

Pursuant to the Order of the Day, the Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Beaubien (*Bedford*), that the Bill S-15, intituled: "An Act respecting The Canadian Indemnity Company and the Canadian Fire Insurance Company", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Beaubien (*Bedford*), that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—

Resolved in the affirmative.

Pursuant to the Order of the Day, the Honourable Senator Beaubien (*Bedford*) moved, seconded by the Honourable Senator Macdonald (*Cape Breton*), that the Bill S-12, intituled: "An Act respecting Reliance Insurance Company of Canada", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Beaubien (*Bedford*) moved, seconded by the Honourable Senator White, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—

Resolved in the affirmative.

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 22nd, 1962.

Pursuant to the Order of the Day, the Honourable Senator Connolly (*Ottawa West*) moved, seconded by the Honourable Senator Isnor, that the Bill S-18, intituled: "An Act to incorporate Greymac Mortgage Corporation", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

26917-5—1½

The Honourable Senator Connolly (*Ottawa West*) moved, seconded by the Honourable Senator Isnor, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

REPORTS OF THE COMMITTEE

WEDNESDAY, March 28, 1962.

The Standing Committee on Banking and Commerce to whom was referred the Bill S-18, intituled: "An Act to incorporate Greymac Mortgage Corporation", have in obedience to the order of reference of March 22nd, 1962, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

SALTER A. HAYDEN,
Chairman.

WEDNESDAY, March 28, 1962.

The Standing Committee on Banking and Commerce to whom was referred the Bill S-12, intituled: "An Act respecting Reliance Insurance Company of Canada", have in obedience to the order of reference of March 20th, 1962, examined the said Bill and now report the same with the following amendment:

Page 1, lines 10 and 11: Strike out "La Reliance, Compagnie canadienne d'assurance" and subsititute therefor "La Reliance Compagnie Canadienne d'Assurances".

All which is respectfully submitted.

SALTER A. HAYDEN,
Chairman.

WEDNESDAY, March 28, 1962.

The Standing Committee on Banking and Commerce to whom was referred the Bill S-15, intituled: "An Act respecting The Canadian Indemnity Company and the Canadian Fire Insurance Company", have in obedience to the order of reference of March 20th, 1962, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

SALTER A. HAYDEN,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, March 28, 1962.

Pursuant to adjournment and notice the Standing Committee on Banking and Commerce met this day at 10:30 a.m.

Present: The Honourable Senators: Hayden, *Chairman;* Aseltine, Baird, Beaubien (*Provencher*), Beaubien (*Bedford*), Bouffard, Brunt, Burchill, Campbell, Croll, Dessureault, Gershaw, Gouin, Horner, Irvine, Isnor, Kinley, Leonard, McLean, Pearson, Pratt, Reid, Smith (*Kamloops*), Taylor (*Norfolk*), Thorvaldson, Turgeon, Vaillancourt, Wall, White and Woodrow.—30.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel, and the Official Reporters of the Senate.

On motion of the Honourable Senator Croll it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the following Bills:

Bill S-15, An Act respecting The Canadian Indemnity Company and the Canadian Fire Insurance Company;

Bill S-12, An Act respecting Reliance Insurance Company of Canada;

Bill S-18, An Act to incorporate Greymac Mortgage Corporation.

Bill S-15, An Act respecting The Canadian Indemnity Company and the Canadian Fire Insurance Company, was read and considered.

Mr. K. R. MacGregor, Superintendent of Insurance, was heard in explanation of the Bill.

It was Resolved to report the Bill without any amendment.

Bill S-12, An Act respecting Reliance Insurance Company of Canada, was read and considered.

The Honourable Senator Beaubien (*Bedford*), sponsor of the Bill in the Senate, was heard in explanation of the Bill.

It was Resolved to report the Bill with the following amendment:

Page 1, lines 10 and 11: Strike out "La Reliance, Compagnie canadienne d'assurance" and substitute therefor "La Reliance Compagnie Canadienne d'Assurances".

Bill S-18, An Act to incorporate Greymac Mortgage Corporation, was read and considered.

Mr. K. R. MacGregor, Superintendent of Insurance, was heard in explanation of the Bill.

It was Resolved to report the Bill without any amendment.

At 11:15 a.m. the Committee adjourned to the call of the Chairman.

Attest.

James D. MacDonald,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON BANKING AND COMMERCE

EVIDENCE

OTTAWA, Wednesday, March 28, 1962.

The Standing Committee on Banking and Commerce, to which was referred Bill S-15, respecting The Canadian Indemnity Company and the Canadian Fire Insurance Company; Bill S-12, respecting Reliance Insurance Company of Canada; and Bill S-18, to incorporate Greymac Mortgage Corporation, met this day at 10.30 a.m.

Senator SALTER A. HAYDEN (*Chairman*), in the Chair.

On a motion duly moved it was agreed that a verbatim report be made of the committee's proceedings on the bills.

On a motion duly moved it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bills be printed.

The CHAIRMAN: Honourable senators, it is 10.30 a.m. and we have a quorum.

The first bill for our consideration is Bill S-15, respecting The Canadian Indemnity Company and the Canadian Fire Insurance Company. We have Mr. K. R. MacGregor, Superintendent of Insurance, present.

Mr. MacGregor, would you give us your views on this bill?

Mr. K. R. MacGregor, Superintendent of Insurance: Mr. Chairman and honourable senators, the purpose of this bill is quite simple—namely, to effect or consummate the amalgamation of two Canadian fire and casualty insurance companies. The manner in which the amalgamation is being achieved, nevertheless, is a little unusual, and for that reason I think a few comments by way of explanation are desirable.

These two Canadian companies go back a great many years. The Canadian Fire Insurance Company originated as a provincial company in Manitoba in 1887, and was re-incorporated by Parliament in 1897. It has operated under the supervision of our department ever since that year. As its name implies, it confined its operations originally, in the main, to fire insurance, but since then it has transacted most classes of casualty insurance. Likewise, the Canadian Indemnity Company originated as a provincial company in Manitoba in 1912, primarily to write hail insurance. It was re-incorporated by Parliament in 1916, and since then has also operated under a license from our department.

Senator PEARSON: Were these companies confined entirely to Manitoba at that time?

Mr. MACGREGOR: Originally I believe they were, but it was not long before they entered other provinces.

Both companies have their head offices in the same location, at Winnipeg, have the same board of directors and the same management, and now are under common ownership. About the only difference between them is that they have had different agency representation in the various localities where the companies operate. I might mention, in this connection, that while the companies

operate in all provinces across Canada, they also operate in the United States, and about 40 per cent of their total business is in the U.S.A., the other 60 per cent being in Canada.

The two companies are owned by a holding company called United Canadian Shares Limited. All of the shares of each company are so owned, except the directors' qualifying shares. The nine directors of each company—and they are the same persons—each hold 100 shares.

Senator CROLL: And they own all the stock?

Mr. MACGREGOR: The holding company owns all the shares, other than the directors' qualifying shares.

The CHAIRMAN: Of both companies?

Mr. MACGREGOR: Of both companies. I might mention, further, that about 99 per cent of the shares of the holding company are held in Canada. Very little more than 1 per cent of the shares of the holding company are held outside Canada, and they are mainly in the United States. The shareholders' list is quite long. I have not counted the number of shareholders, but there are, as honourable senators may see, pages of them, practically all in Canada.

Perhaps a word might be in order, just to bring these two companies into perspective, so to speak, in the whole fire and casualty insurance field in Canada. At the end of 1961 there were 375 Canadian, British and foreign insurance companies registered with our department to transact fire insurance and some classes of casualty insurance. In addition, there were, of course, Lloyds and some provincial companies which operate exclusively under provincial jurisdiction.

Of the 375 registered companies, 108 are Canadian companies and the two companies forming the subject of this Bill are, of course, two of those 108.

Looking at Canadian fire and casualty insurance companies as a whole, I would say that these two companies in combination, having assets of about $22 million, would rank about fourth among all Canadian fire and casualty insurance companies. The largest of such companies is, of course, the Western Assurance Company, with assets of $44 million. The Wawanesa comes next with $36 million and the British America comes third with $31 million. These two companies, with $9 million and $13 million, making $22 million together, rank about fourth, measured on the basis of assets.

From the point of view of volume of premiums written, as Senator Thorvaldson mentioned on second reading, in 1961 the two together wrote, on the gross basis, about $17 million of premium, $10 million being in Canada and $7 million out of Canada.

Just to give you some idea how that volume ranks with other large Canadian companies, the Western wrote $38 million gross in and out of Canada, the British America wrote $23 millions, the Wawanesa wrote $18 millions. These figures relate to Canada and elsewhere.

On the net basis—that is to say, after ceding off re-insurance to other companies—these two companies, Canadian Fire Insurance Company and Canadian Indemnity Company, wrote last year in Canada about $8 million of premiums. The total volume written by all registered companies is about $800 million in Canada, so that these two companies, one might say, write about one per cent of the total fire and casualty insurance premiums written by all companies in Canada last year.

Senator PRATT: What is the total premium just on fire and casualty alone?

Mr. MACGREGOR: In Canada, the Canadian Fire Insurance Company and the Canadian Indemnity Company write about $8 million, on the net basis, after ceding off re-insurance to other companies.

Senator PRATT: You say the total in those two classes of insurance was $800 million?

Mr. MacGregor: The total volume of fire and casualty insurance premiums written by all companies in Canada, Canadian, British and foreign, is about $800 million annually.

Senator Reid: Is this the first time that two companies have amalgamated?

Mr. MacGregor: No senator, it is not. There have not been many, but this is not the first.

Honourable senators, you may wish to have some idea of the volume of fire and casualty business written by Canadian companies in Canada as compared with the volume written by British and foreign companies. At the present time, Canadian fire and casualty insurance companies write about 38 per cent of the total fire and casualty insurance premiums written by all companies in Canada.

Senator Kinley: That includes Lloyds and the provincial companies?

Mr. MacGregor: If one included in the total volume the premiums written by Lloyds and provincial companies, the total volume would be a little more than $800 millions, and the proportion written by Canadian companies would be a little less. I was speaking of companies registered by the federal government alone.

Senator Brunt: You do not include mutual fire insurance companies.

Mr. MacGregor: Yes, some are included.

Senator Brunt: Throughout Ontario?

Mr. MacGregor: Most of these are provincially incorporated. They are not included in the figure of $800 million.

Senator Croll: You gave us a figure and you more or less volunteered it for a moment. I wonder how that figure compares with, say, the United States or Britain in similar circumstances?

The Chairman: Which figure is the senator referring to?

Senator Croll: The total underwritten by Canadian companies as compared with others?

Mr. MacGregor: Honourable senators, I did not quite finish that point. I mentioned that about 38 per cent of the total fire and casualty insurance premiums written in Canada is written by Canadian companies but roughly one-half, by number, of all Canadian fire insurance companies, are owned outside Canada. If one thinks only of Canadian companies which are controlled in Canada, then the proportion of the total business written by Canadian controlled companies is about 24 per cent. That might be compared with about 63 per cent in the life insurance field.

Honourable senators may remember that when a life company bill was being dealt with by the committee a couple of weeks ago, I mentioned that in the life field the situation is different. About 68 per cent of the total life business in Canada is done by Canadian companies; and about 63 per cent is done by Canadian controlled life insurance companies. The situation is quite different in another respect too. In the life field, although Canadian life companies do about two-thirds of the business, and one-third of the business in Canada is done by British and foreign companies, nevertheless Canadian life insurance companies do a large volume of business outside Canada, which just about balances the volume of business transacted in Canada by British and foreign companies.

However, in the fire and casualty field the situation is very different. There are not many Canadian fire and casualty insurance companies doing business outside Canada at all. These two are two of the few. The volume written by all Canadian fire and casualty insurance companies outside Canada is relatively small.

Senator GOUIN: Could you give an idea of the amount of business done outside Canada by Canadian companies?

Mr. MACGREGOR: In 1960—I have not the 1961 figures—there were only $44 million of premiums written by all Canadian fire and casualty insurance companies outside Canada.

Senator KINLEY: Does that include re-insurance?

Mr. MACGREGOR: It includes re-insurance assumed, but excludes re-insurance given off to other companies. It is the net retained.

Senator KINLEY: The net life insurance outside Canada is in a different area from fire and casualty insurance? The British insurance companies do not do much life insurance over there.

Mr. MACGREGOR: The British insurance companies?

Senator KINLEY: Canadian life insurance companies do not do much business in Britain.

Mr. MACGREGOR: They do a substantial volume. There are four or five Canadian companies which do a substantial volume in the United Kingdom.

Senator KINLEY: I thought a large volume by far was on this continent.

Mr. MACGREGOR: Oh, by far the greater part of it is, yes.

The Canadian fire and casualty insurance companies have travelled, I think it is fair to say, a pretty arduous road over a long number of years and in the main they have received very few favourable breaks.

Members of this committee may wonder why the situation is so difficult in the life insurance field as compared with the fire and casualty insurance field as respects the proportion of business transacted by Canadian companies. I do not wish to take much time to deal with that point but it goes back to legislation passed by Parliament in 1877. Prior to that time British and foreign insurance companies in Canada were required to make only a nominal amount of deposits regardless of the volume of business they transacted; but in that year legislation was passed amending the insurance acts whereby thereafter British and foreign companies were required to maintain on deposit with the Government assets to the full extent of their liabilities in Canada. The alternative was for them to discontinue writing new business and run off their existing business under the old conditions.

In the life insurance field, the new deposit requirements were considered by the British and foreign companies to be very onerous, and most of them withdrew, although I must say that most of them have subsequently come back. In the life insurance field there was a virtual vacuum during the last 25 years of the last century, and it was in that period that most of the Canadian life insurance companies came into being. So, they had a very favourable atmosphere in which to operate.

On the other hand, in the fire and casualty insurance field, the reserves were not large. The amounts of deposit involved were not nearly so significant, and practically none of the British and foreign fire and casualty insurance companies withdrew, so that the Canadian fire and casualty insurance companies never got a break, so to speak, in competition with non-Canadian companies.

Furthermore, the fire and casualty companies received many bad jolts because of conflagrations in Saint John, New Brunswick, Hull, Ottawa, etc. and the fact is that around 1900 the number of Canadian fire and casualty insurance companies was reduced to about five, which was less than the number of such companies on the scene in 1877.

Senator KINLEY: You would have to exclude the marine insurance companies in that list.

Mr. MacGregor: That is correct, marine business is exempted from the act, and has been from the outset.

Coming to the purpose of this bill—and I apologize for spending the time I have on more general comments—Canadian insurance companies have had the power to amalgamate under provisions of the Canadian and British Insurance Companies Act for a number of years. With respect to Canadian life insurance companies these powers are found in section 90, and with respect to Canadian fire and casualty insurance companies they are found in section 108. There is a lengthy procedure set forth in section 90 respecting life insurance companies, and that procedure is also made applicable in the case of fire and casualty insurance companies by subsection (2) of section 108.

In looking at section 108 one finds that it reads in this way:

(1) Every company registered under Part III...—

that means every company incorporated by Parliament—

....to transact the business of insurance other than the business of life insurance, shall have power, with the permission of the Minister, to make an agreement...

and then follow paragraphs (a), (b) and (c).

Paragraph (a) reads:

....to amalgamate its property and business with the property and business of any other such company that is registered to transact the classes of business to be so amalgamated,...

and that is the paragraph that is pertinent in this case. Paragraph (b) gives such companies power by agreement to transfer or sell their business to other companies, and paragraph (c) gives them similar powers to purchase and take over the business of other companies.

Senator Bouffard: Why, then, is this bill necessary?

Mr. MacGregor: I will explain that in just a moment. At the end of subsection (1) these words are found:

...and to enter into all contracts and undertakings necessary thereunto, but no such agreement shall be effective until it is sanctioned by the Treasury Board.

Then, if one refers to the various subsections of section 90 one finds in subsection (6), which is also applicable in this case, these words:

A company registered under Part III shall not amalgamate with, transfer its business to, or reinsure its business in, another company, whether so registered or not, unless such amalgamation, transfer, or reinsurance is sanctioned by the Treasury Board in accordance with this section.

That subsection means—or so we in the department think—that the procedure set forth in section 90 must be followed in every case. So, this case is not one where these companies desiring to amalgamate are required to come to Parliament to obtain the power to amalgamate, because they have that power now under section 108—

The Chairman: They have the power to make an agreement?

Mr. MacGregor: Yes, they have the power to make an agreement to amalgamate, and if they follow the prescribed procedure and if the agreement is sanctioned by the Treasury Board then that could be the final step in consummating the amalgamation. The question naturally arises then: Why have these companies come to Parliament in this instance? We have had in recent years three or four other cases of Canadian fire and casualty insurance companies amalgamating under section 108, and they did not come to Parliament

because it seemed unnecessary for them to do so. In 1952 the Pioneer Insurance Company was merged into the Hudson Bay Insurance Company, both of those companies being wholly owned within the Royal-Liverpool group. At the same time the National-Liverpool was merged into the Globe Indemnity Company of Canada, and those two companies were also in the Royal-Liverpool group.

In 1960 two other companies in the Royal-Liverpool group, the Liverpool-Manitoba and the Hudson Bay, amalgamated. Those were three instances.

Senator BRUNT: Were there two Hudson Bay Companies?

Mr. MACGREGOR: Briefly, the same Hudson Bay Insurance Company merged on two occasions with two other companies. Last year, two companies in the Commercial Union group, the North West Fire Insurance Company and the Canada Accident and Fire Assurance Company, amalgamated.

In each of those four cases the procedure prescribed by section 108 was followed in detail and amalgamation was consummated by sanction of the agreement by the Treasury Board.

In the present instance, we discussed the whole situation at great length with officers of the companies and their solicitors, and while it was generally agreed that the procedure spelled out in the Act would have to be followed, it seemed impossible in this particular case to consummate the amalgamation without coming to Parliament. There was one main reason for that. The authorized capital of the Canadian Fire Insurance Company is $1 million. Likewise, the authorized capital of the Canadian Indemnity Company is $1 million. In the case of the Canadian Fire Insurance Company, the whole of the $1 million has been issued and is fully paid. In the case of the Canadian Indemnity Company half, or $500,000, has been issued and paid. So, these two companies are in the position where their issued capital amounts to $1,500,000 fully paid, and yet the authorized capital of each company individually is only $1 million. Section 108 is silent with respect to any authority to increase the authorized capital of a company or of an amalgamated company. In the past, whenever a company desired to increase its capital it had to come, and did come, to Parliament to obtain a larger amount.

The CHAIRMAN: I notice in connection with the Bank Act, in dealing with amalgamations, even after you get the sanction of the Treasury Board, section 102 provides that the Governor in Council must approve the amalgamation agreement.

Mr. MACGREGOR: Yes, sir.

The CHAIRMAN: And section 100, subsection (3) of the Bank Act provides:

> The approval by the Governor in Council under section 102 of an amalgamation agreement amalgamates the banks that are parties to the agreement and creates them one body politic and corporate and they shall continue thereafter as one bank under the name specified in the agreement.

So, you have that provision in section 100, subsection (3) of the Bank Act that you do not have in the Insurance Act.

Mr. MACGREGOR: That is correct, and I think the Bank Act also makes it rather clear that the agreement may specify the capital of the amalgamated banks.

The CHAIRMAN: That is right.

Mr. MACGREGOR: And that is lacking in the Insurance Act.

The CHAIRMAN: The agreement in the Bank Act becomes the charter of the amalgamated banks.

Mr. MACGREGOR: That is right. So, that is the primary reason why these companies have come to Parliament, namely, to seek a larger authorized capital

to accommodate the amalgamation, and they are seeking not $1½ million or $2 million but $5 million. There is another reason, and that is they wish to obtain a French name for the amalgamated company, and it seemed desirable to do it all at once.

So, briefly, the companies have followed in detail the procedure prescribed by the general Act. They have made an agreement. They did so with the permission of the Minister of Finance, granted on March 29, 1961, and they have complied in the view of the department with all of the requirements set forth in the agreement itself respecting the conditions precedent to be complied with before they petitioned for this bill. Those requirements are set forth in articles 15 and 16 of the agreement found in the schedule. I would like to say just a word on those articles because Senator Hugessen raised a question about them on second reading, wondering if they had been complied with.

Article 15 of the agreement, on page 5, states:

> This agreement shall be placed before and considered by the shareholders of each of the predecessor corporations at a special general meeting of each such corporation duly called for the purpose of considering the same, and there shall be recorded in the minutes of the meeting the number of votes for and the number of votes against confirmation.

I might say that I have obtained certified copies of the minutes of special general meetings of each company, and also of the holding company, that were all held on November 8, 1961, and in each case unanimous approval was given to the agreement by the Canadian Fire Insurance Company, the Canadian Indemnity Company, and by the holding company, United Canadian Shares Limited.

The CHAIRMAN: That means 100 per cent of the shares.

Mr. MACGREGOR: In the case of the Canadian Fire Insurance Company 99.125 per cent of the shares were represented at the meeting, and in the case of the Canadian Indemnity Company 100 per cent of the shares were represented. That may seem strange in view of my statement earlier that they are now under common ownership. The explanation is that in November they were not quite; there were two holdings of shares in the Canadian Fire Insurance Company in the United States that had no counterpart in the Canadian Indemnity Company and were not represented at the meeting, but they have since been acquired by the holding company, and as at December 31, 1961, the statement is literally correct that the two companies were under identical common ownership. Perhaps I should say that in our view the requirements of article 15 were complied with in full.

Article 16 requires the agreement also to be submitted to the Treasury Board of the Government of Canada for its sanction; provided, however, that the agreement shall not be so submitted but shall become void and of no effect (a) unless the holders of at least 90 per cent of the outstanding shares of capital stock of each of the predecessor corporations shall have approved it, by affirmative vote whether in person or by proxy.

As I just mentioned, the proportion in one case was 100 per cent and in the other case 99.125 per cent.

Paragraph (b) of article 16 is a discretionary power given to the directors, and there has been no need to exercise that.

Finally, I would call attention to the provisions of article 17 where it is stated:

> Forthwith upon the shareholders of the predecessor corporations respectively approving this agreement and the certification of such fact upon a copy hereof by the secretary of each of such corporations

under their respective corporate seals and after sanction by the Treasury Board of the Government of Canada, a joint petition of said corporations to the Parliament of Canada shall be made for a private Act confirming this agreement.

I have in our departmental files documentary evidence in the form of a certified copy of the agreement on behalf of the Canadian Fire Insurance Company, and another on behalf of the Canadian Indemnity Company, certified by the secretary that the agreement was in each case approved as required by these articles. The agreement was submitted by myself in a lengthy report to the Treasury Board on January 25, 1962, and the agreement was sanctioned by the Treasury Board on February 1, 1962. I have in our files a certified copy from the Assistant Secretary of the Treasury Board to that effect.

I believe that the conditions precedent to coming to Parliament to seek confirmation of this amalgamation agreement have been fully and properly complied with.

The only other comments I might make are, I think, of a general nature. One hears from time to time differing views about the desirability of companies amalgamating. Whatever may be said on that subject in other fields, it has been the feeling in the department, for a good many years, that the Canadian insuring public would probably be better served if there were fewer Canadian fire and casualty companies operating in Canada.

Senator ISNOR: What is the main reason for that statement?

Mr. MACGREGOR: Well, a multiplicity of small companies, we do believe, is more expensive. There are separate boards of directors, separate books to be kept, separate accounts, separate returns to be made, separate licences to be obtained, and fees to be paid. Furthermore, in the fire and casualty business I think it is generally agreed that one relatively large company is stronger than two small companies. In saying that I do not wish to cast any reflection whatsoever on small companies, for all companies are small before they grow large, but the situation that has grown up in this country and, in fact, on this continent, is rather peculiar in that respect; that is to say, as respects a relatively large number of fire and casualty insurance companies operating. There are two main reasons for the relatively large number. In the United States in particular until fairly recently it was not possible in most states to write automobile insurance, for example, in the same company that might write fire insurance.

One had to set up a separate company, and that led to several companies even within the same ownership group. Those restrictive state laws have in the main been modified and repealed since the war; multiple-line underwriting, as it is called, is generally permitted now and there has been a distinct trend in the U.S.A. for companies to merge for that reason alone.

The companies themselves, however, have been responsible to a degree for this relatively large number of fire and casualty insurance companies in Canada. Some of the underwriting associations which had arisen made rules to the effect that a company could not have more than one agent in a certain locality. Consequently, if they wanted to have two agents they got another company, and that led to the creation of all sorts of new companies, sometimes referred to as "pups", or the entry to Canada of additional British and foreign companies which operated in fellets to give them broader agency representation. Those rules made by the underwriting associations have been repealed and that, too, has led to merger and amalgamation of companies that one might perhaps say should never have appeared in the first place.

Senator Croll: Mr. MacGregor, small companies are competitive, are they not?

Mr. MacGregor: Yes, they are; but within the last five or ten years competition has increased, I would say, very significantly in Canada. One of the things leading to this situation, has, of course, been the entry of the so-called "direct writers" into the field, being insurance companies that do not operate through the old system of independent agents; they have their own salesmen who represent one of these companies alone. Allstate, owned by Sears Roebuck is one of the notable examples. They have concentrated on streamlining the business, and of course the obvious advantage they have through their stores is that they can operate at lower expense; and with lower expenses their premiums are more attractive, and being more attractive they can be a little more selective in their underwriting in accepting risks. In the last ten years, because of these increasing competitive pressures, there has been great emphasis on the necessity of reducing expenses in the fire and casualty insurance field, and of course as a consequence there has been a very distinct trend towards mergers and amalgamations. Some of the largest British companies which formerly operated independently have merged and amalgamated in the last five or ten years.

Senator Croll: As a result of this streamlining and efficiency, have rates come down?

Mr. MacGregor: Yes, they have. I wouldn't say they have all come down. Fire insurance rates have very definitely come down, especially during the period 1953, 1954 and 1955. In fact, competitive pressures pushed them down to levels that were too low and the companies suffered tremendous underwriting losses as a consequence, induced very largely by competitive pressures that went too far.

Senator Isnor: Mr. MacGregor, was the lowering of rates not due to the different type of policy brought into effect in recent years?

Mr. MacGregor: It was due partly to the so-called packaging of insurance, more particularly personal insurance, dwelling insurance, including some liability insurance and a little accident insurance, and because it was issued in a package the companies usually offered a 10 percent discount in comparison with the aggregate premiums included; but those competitive pressures towards packaging and addings frills, supplementary coverage, etc., in the period 1954 and 1955 went too far and the companies lost very large sums because of it. Since then they have had to retrace their steps, and reduce some of the frills, and there has been some increase in insurance premiums in the past three or four years since 1958.

Senator Croll: If this trend continues, and you seem to indicate that it might, this trend of bigness, where is there room for anyone to enter the business in the future?

Mr. MacGregor: I think it is going to become more difficult for the small company to get started, and even for many small companies to survive. In the past, many of them have done very well operating in a fairly restricted locality, but more and more companies are operating nationwide, and these little local companies are under greater competitive pressure, now than they were. The outlook for many small companies is not too bright, I am sorry to admit.

I could probably only add one word, and that is to say that in view of the relatively small proportion of fire and casualty business in Canada that is done by Canadian companies, I do feel that two companies that are now operating as these two companies are, under the same management and under the same ownership, would be far better amalgamated into one company

than they would be to continue to operate independently. These two companies have been considering this move for at least ten years. When United Canadian Shares Limited, the holding company, was formed in 1951, it was specifically stated in the literature that went out at that time that this was one of the ultimate objectives to amalgamate.

The CHAIRMAN: So we are not considering in this bill the question of bigness itself?

Mr. MACGREGOR: That is correct, Mr. Chairman.

The CHAIRMAN: If there are any other questions, we have Mr. Ronald C. Merriam, Q.C., Counsel for the petitioners, and also Mr. T. Bruce Ross, Vice President and General Manager. Mr. Merriam, have you anything to add?

Mr. MERRIAM: I do not think there is anything to add to the full presentation that has already been made, but Mr. Ross is also here if there are any questions to be asked.

The CHAIRMAN: Mr. Ross, have you anything to add?

Mr. ROSS: No, sir, I do not think so, after the able presentation that has been given; but if there are any questions, I will at least try to answer them.

The CHAIRMAN: Are the members of the committee ready for the question?

Hon. SENATORS: Question.

The CHAIRMAN: Shall I report the bill without amendment?

Hon. SENATORS: Carried.

The CHAIRMAN: The next bill to deal with is Bill S-12, respecting Reliance Insurance Company of Canada.

Hon. Mr. BEAUBIEN (*Bedford*): Mr. Chairman, this bill simply asks for a French version of the name of the company. In its petition, the company asked to be allowed to use the name of "La Reliance Compagnie Canadienne d'Assurances". However, there are two small errors shown in the bill. The first is that after "La Reliance" there appears a comma which was not shown in the petition. Also, in the petition "d'Assurances" was in the plural. So the amendment is to delete the comma and to pluralize "d'Assurance" so that it will read "d'Assurances".

I move that the bill be reported.

The CHAIRMAN: May I first read from a memorandum from our law clerk:

> In my opinion this Bill is in proper legal form.
>
> However, there is a slight difference between the French name as it appears in the Bill and the French name asked for in the petition. The name asked for in the petition was "La Reliance Compagnie Canadienne d'Assurances". I have consulted with the Solicitors for the Company and I am advised that they would prefer the French name as it appeared in the petition. Accordingly, an amendment would appear to be in order to ensure that the French name of the Company in the Bill corresponds to the name appearing in the petition.

That would mean deleting the comma where it appears in the bill, and also adding the letter "s" to "d'Assurance". Could I have a motion?

Senator LEONARD: May I ask first if there is a French word for "Reliance"?

Senator BEAUBIEN (*Bedford*): No, there is not.

The CHAIRMAN: We have the amendment before us. Those in favour? Opposed?

—Amendment agreed to.

The CHAIRMAN: Shall I report the bill as amended?

Hon. SENATORS: Agreed.

The CHAIRMAN: The third bill we have before us this morning is Bill S-18, an Act to incorporate Greymac Mortgage Corporation.

We have Mr. MacGregor here to tell us the view of the department in relation to this bill, and we also have representatives of the petitioner here.

Mr. MacGregor, would you give us your view on this bill?

Mr. MACGREGOR: Mr. Chairman and honourable senators, the purpose of the bill is, of course, to incorporate a loan company within the meaning of the Loan Companies Act, namely, a company whose main field of operations will be lending on the security of real estate. I think I might first of all explain briefly the origin of the name Greymac, which is rather odd. If honourable senators will look at the names of the incorporators in clause 1, one will see Messrs. Green, McCallum and Hickey. If they had been in the order Green, Hickey and McCallum, it will be seen that by taking the first two letters of Green, the last two letters of Hickey and the first two letters of McCallum, one gets the name Greymac. That is where it comes from.

I have met these gentlemen only once, Messrs. Green, Hickey and McCallum. They are three lawyers residing in Hamilton, Ontario. They are, I understand, members of a legal firm there which dates back to about World War I or very soon thereafter, a legal firm originally founded by two gentlemen named Peate and McBride. Perhaps I might interject that the three persons named as incorporators seemingly entered this firm about 1935, so they have been members of it for quite a long time.

Apparently this firm has been active in Hamilton in the mortgage loan field both on behalf of themselves and on behalf of others for quite a number of years. They now administer residential mortgages amounting to about $1,400,000 for others, and they have a little investment company now of their own, a private company incorporated in Ontario, called Greymac Securities Limited with assets of about $100,000. These three gentlemen are the owners of this little investment company.

They seemingly now desire to get a better status for their operations and they are seeking dominion incorporation so that among other things they may be able to become an approved lender under the National Housing Act. They have intimated to me that they feel there is a future for a small mortgage company. They think they might be able to act, for example, as a mortgage correspondent for some small insurance companies. Whether that may develop or not of course remains to be seen. They have no intention of accepting deposits. They do want to become an approved lender to invest some of their funds and funds of their friends and clients.

As I see it, it is unlikely in the near future that this company will become a large company.

The CHAIRMAN: Mr. MacGregor, when you say that they have no intention of accepting deposits, if we approve this bill they would have the power to accept deposits.

Mr. MACGREGOR: Under the Loan Companies Act they would have the corporate power but being a new company the department would not usually recommend to the minister that its licence be broad enough to permit the company to accept deposits until it had operated for perhaps a period of five years and had become reasonably well established. That has been the custom in a few similar cases where a restriction was put in the licence for a while prohibiting them from accepting deposits.

The CHAIRMAN: Would you recommend that here?

Mr. MACGREGOR: Yes, I would.

Senator CROLL: If that would be your recommendation before they could possibly obtain their licence what is the need in here for the power?

Mr. MacGregor: Perhaps it is just caution, Senator Croll. Usually the promoters are not themselves anxious to accept deposits in the early days of the company. They have the power of course under the general act to issue debentures but as a general principle it seems less objectionable for a brand new company to issue debentures than to accept deposits. I think that most investors buying debentures might be a little more circumspect on the whole than a man on the street who may put his money on deposit. It has simply been a practice of caution to have companies of this kind keep out of the deposit field until they have operated for three, four or five years and demonstrated their stability.

Senator Croll: At the moment you say three, four or five years but if we put in a restriction that would be another matter.

Mr. MacGregor: There would be no restriction in the bill, Senator Croll.

Senator Croll: But there was a suggestion as to that.

Mr. MacGregor: The restriction would be in the licence issued by the Minister of Finance each year.

Senator Croll: No, but the question I think the chairman asked you was about putting a restriction into the bill.

Mr. MacGregor: I would not recommend that, it would be unfair.

Senator Croll: But I thought that that was the question that the chairman asked.

The Chairman: That is what I did ask, yes.

Senator Gouin: The restriction to which you refer, would it be a restriction on the right to issue debentures?

The Chairman: No, a restriction on accepting deposits.

Mr. MacGregor: I was speaking about the acceptance of deposits. Under the general act they have these two general powers—to issue debentures and accept deposits, and usually loan companies get their funds from those two sources in the main.

Senator Gouin: Any restriction then would be on the right to receive deposits for a certain number of years?

Mr. MacGregor: It would be our practice to recommend to the minister that in the annual licence issued to this type of corporation there be a prohibition in the early years against accepting deposits. The licence is reconsidered and renewed annually and it is open to the minister to include in the licence any conditions he may think proper in the circumstances.

There is very little further that I can say, Mr. Chairman, about this bill. It is in the model form. I know relatively little about the incorporators. As I say I have met them only once. I have discussed their plans with them and I have been well impressed by them, and in our dealings up to date I feel that they are doing the right thing, in the sense that if they wish to operate in the mortgage lending field, I think it is desirable that they should incorporate; and if they wish to engage in any substantial operation at all, or if they wish to be an approved lender under the N.H.A. Act, they should seek incorporation by act of Parliament. I do not envisage them becoming a large company in the near or foreseeable future.

The Chairman: Thank you.

We have three representatives present. Two are petitioners, Mr. Roy Cuzner, and Mr. D. C. MacCallum; and Mr. J. Murchison, counsel. Is there anything any honourable senator would like to ask any of these gentlemen?

Mr. MacGregor: I might have added, Mr. Chairman, that we have obtained information about the rates of interest that these incorporators have

been charging on the loans they have been arranging for their clients and themselves, and in all cases they vary between 6½ and 7 per cent per annum; also, it is not their practice to require bonuses or to impose discounts, or anything of that nature. In other words, the information we have indicates they have been carrying on a completely clear and clean mortgage lending business up to date.

Senator McLEAN: You speak of bonuses and finders' money. Is there anything to prohibit that? There is quite a lot of criticism in the part of the country I come from about these bonuses and finders' money to get the second mortgages.

Mr. MacGREGOR: There is nothing to prohibit these practices that I know of.

The CHAIRMAN: I did not understand this discussion was centering on second mortgages.

Mr. MacGREGOR: I did not intend to introduce that subject.

The CHAIRMAN: Shall I report the bill without amendment?

Carried.

Fifth Session—Twenty-fourth Parliament

1962

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

BANKING AND COMMERCE

To whom was referred the Bill C-38, intituled "An Act to provide for the Reporting of Financial and other Statistics relating to the Affairs of Corporations and Labour Unions carrying on Activities in Canada".

The Honourable SALTER A. HAYDEN, Chairman

THURSDAY, APRIL 12, 1962

TUESDAY, APRIL 17, 1962

WITNESSES:

Mr. Thomas Bell, M.P., Parliamentary Secretary to the Minister of Justice; Mr. Donald Thorson, Assistant Deputy Minister of Justice and Dr. J. S. Hodgson, Assistant Secretary to the Cabinet.

APPENDICES

"A" Letter dated February 8, 1962, Canadian Chamber of Commerce.
"B" Letter dated April 12, 1962, Canadian Labour Congress.
"C" Letter dated April 16, 1962, Canadian Labour Congress.

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

26989-4—1

THE STANDING COMMITTEE ON BANKING AND COMMERCE

The Honourable Salter Adrian Hayden, *Chairman*

The Honourable Senators

*Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Bois
Bouffard
Brooks
Brunt
Burchill
Campbell
Choquette
Connolly (*Ottawa West*)
Crerar
Croll
Davies
Dessureault
Emerson
Farris
Gershaw
Gouin
Hayden
Horner
Howard
Hugessen
Irvine
Isnor
Kinley
Lambert
Leonard
*Macdonald (*Brantford*)
McDonald
McKeen
McLean
Molson
Monette
Paterson
Pearson
Pouliot
Power
Pratt
Reid
Robertson
Roebuck
Smith (*Kamloops*)
Taylor (*Norfolk*)
Thorvaldson
Turgeon
Vaillancourt
Vien
Wall
White
Woodrow—50.

(Quorum 9)

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*Ex officio member.

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, April 11th, 1962.

"Pursuant to the Order of the Day, the Honourable Senator Brunt moved, seconded by the Honourable Senator Horner, that the Bill C-38, intituled: "An Act to provide for the Reporting of Financial and other Statistics relating to the Affairs of Corporations and Labour Unions carrying on Activities in Canada", be read the second time.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Aseltine, P.C., moved, for the Honourable Senator Brunt, seconded by the Honourable Senator Horner, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

26989-4—1½

MINUTES OF PROCEEDINGS

THURSDAY, April 12, 1962.

Pursuant to adjournment and notice the Standing Committee on Banking and Commerce met this day at 10.00 a.m.

Present: The Honourable Senators Hayden, *Chairman;* Aseltine, Baird, Beaubien, (*Bedford*), Bois, Burchill, Croll, Davies, Horner, Isnor, Kinley, Leonard, Power, Reid, Taylor (*Norfolk*), Thorvaldson, Turgeon and Woodrow—18.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel; the Official Reporters of the Senate.

On Motion of the Honourable Senator Croll, it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the following Bill:

Bill C-38, "An Act to provide for the Reporting of Financial and other Statistics relating to the Affairs of Corporations and Labour Unions carrying on Activities in Canada", was read and considered.

On Motion of the Honourable Senator Croll it was Ordered that a telephone communication be made to the Canadian Labour Congress and to the Canadian Chamber of Commerce advising them that the said Bill was now being considered by the said Committee and that the said Committee would be prepared to hear any representations they may wish to make with respect to the said Bill.

Heard in explanation of the Bill: Mr. Thomas Bell, M.P., Parliamentary Secretary to the Minister of Justice; Mr. Donald Thorson, Assistant Deputy Minister of Justice; Dr. J. S. Hodgson, Assistant Secretary to the Cabinet.

At 11.45 a.m. the Committee adjourned to the call of the Chairman for further consideration of the said Bill.

Attest.

Gerard Lemire,
Clerk of the Committee.

TUESDAY, April 17, 1962.

At 2.00 p.m. the Committee resumed consideration of the said Bill.

Present: The Honourable Senators Hayden, *Chairman;* Aseltine, Beaubien (*Bedford*), Bois, Brooks, Burchill, Davies, Gouin, Irvine, Isnor, Lambert, Macdonald (*Brantford*), McKeen, Molson, Pouliot, Taylor (*Norfolk*), Turgeon and Woodrow.

In attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel; the Official Reporters of the Senate.

The Chairman read excerpts from the following letters:

Letter dated April 16, 1962, directed to the Chairman and signed "Claude Jodoin, President, Canadian Labour Congress";

Letter dated April 12, 1962, directed to the Chairman and signed "Claude Jodoin, President, Canadian Labour Congress"; and

Letter dated February 8, 1962, directed to The Honourable E. Davie Fulton, Minister of Justice and Attorney General and signed "F. W. Bradshaw, Chairman of the Executive Council, The Canadian Chamber of Commerce".

It was Ordered that the said letters be printed as appendices to the Committee's proceedings.

Mr. Donald Thorson was further heard in explanation of the Bill.

The Honourable Senator McKeen moved that the Bill be amended as follows:

Page 10, line 41: Strike out line 41 and substitute therefor the following:

"(5) With the written approval of a Minister of the Crown, any Official or authorized person may, for any"

The question being put on the said Motion, the Committee divided as follows:

Yeas: 6; Nays: 6.

The Motion was declared passed in the negative.

It was Resolved to report the Bill without any amendment.

At 2.55 p.m. the Committee adjourned to the call of the Chairman.

Attest.

James D. MacDonald,
Clerk of the Committee.

REPORT OF THE COMMITTEE

TUESDAY, April 17, 1962.

The Standing Committee on Banking and Commerce to whom was referred the Bill C-38, intituled: "An Act to provide for the Reporting of Financial and other Statistics relating to the Affairs of Corporations and Labour Unions carrying on Activities in Canada", have in obedience to the order of reference of April 11th, 1962, examined the said bill and now report the same without any amendment.

All which is respectfully submitted.

SALTER A. HAYDEN,
Chairman.

THE SENATE

STANDING COMMITTEE ON BANKING AND COMMERCE

EVIDENCE

OTTAWA, Thursday, April 12, 1962.

The Standing Committee on Banking and Commerce, to which was referred Bill C-38, to provide for the reporting of financial and other statistics relating to the affairs of corporations and labour unions carrying on activities in Canada, met this day at 10 a.m.

Senator SALTER A. HAYDEN (*Chairman*) in the Chair.

On motion duly moved, it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On motion duly moved it was agreed that 800 copies in English and 200 copies in French of the committee's proceedings on the bill be printed.

The CHAIRMAN: Honourable senators, it is ten o'clock, and we have a quorum. Call the meeting to order.

Senator CROLL: Mr. Chairman, unfortunately, I am obliged to serve on a committee downstairs this morning, and there is nothing I can do about that. It just occurs to me that this is a very important bill which breaks some new ground, and I wanted to suggest to the Chairman of the committee that we ought to give the Canadian Congress of Labour an opportunity to appear before us and make representations if they so desire, and I would ask the Chairman through the committee to extend that invitation to them in the best spirit.

Senator LEONARD: May I also ask that the Canadian Chamber of Commerce be invited to make representations.

The CHAIRMAN: The invitations will be extended.

We have before us Bill C-38, and in support of the bill we have Mr. Thomas Bell, M.P., Parliamentary Secretary to the Minister of Justice; Mr. Donald Thorson, Chief, Leglislation Section, Department of Justice; Dr. J. S. Hodgson, Assistant Secretary to the Cabinet, Privy Council; and Gordon J. Cushing, Assistant Deputy Minister of Labour. Which of you gentlemen is going to lead off?

Thomas Bell, M.P., Parliamentary Secretary to the Minister of Justice: Mr. Chairman, honourable senators: My part is very small in this legislation. I want to express the regrets of Mr. Fulton, the Minister of Justice, in not being able to be here; I do not think he will be available until next week, anyway. He would have liked to come, for I know he considers the Senate hearings very important. In the combines legislation he was quite pleased with his treatment here.

This legislation was in the house from April 2 to April 6 and very extensively considered. We accepted two official opposition amendments, and some others of the Government body itself, and I do not wish to take any time on this, because Mr. Thorson, of the Department of Justice and Dr. Hodgson of the Privy Council office had had direct contact with this legislation and, as a matter of fact, I think it would be worthy of mention that they have done an excellent job. It is a new type of legislation, and they have the intimate knowledge.

I might just quote, though, one or two sentences from the remarks the Minister of Justice mentioned in the house, which have some significance. Certainly, I could not improve on them. He said the following concerning Bill C-38:

> It represents the determination of the Government to understand fully the operation of our economy, the extent of foreign control of various units operating within that economy, and the effects of that control; and our desire to see that the Canadian people are made aware, in general terms, of these facts and their implications. This is the duty of any responsible government, and this is the basis on which the bill has been drawn up.

I will be available here if I can assist in any way, but I do suggest that Mr. Thorson and Dr. Hodgson can deal with it.

Senator ISNOR: May I ask what the minister meant when he said "the Canadian people are made aware"?

Mr. BELL: Well, only part, senator, is confidential. There are two sections. When you get into the detailed consideration, I think it will be apparent that part of the information that we obtain is confidential; the other part is available to the public.

Senator ISNOR: Is not the greatest bulk of it confidential?

Mr. BELL: I would not like to say as to the exact quantity, but there are two distinct sections of the bill; one is confidential and the other is for public consumption.

Senator KINLEY: What is the object of the bill, for control or for information?

Mr. BELL: It is for information, sir.

Senator BAIRD: It may lead to control?

Mr. BELL: Well, yes. As I say, the purpose of this bill—and perhaps I should put this on the record, Mr. Chairman, is to provide for the reporting of financial and other statistics relating to the affairs of corporations and labour unions carrying on activities in Canada. That is at this time its sole purpose.

The CHAIRMAN: Thank you. Mr. Thorson, Dr. Hodgson, will you both come forward, please?

Senator LEONARD: Unless Mr. Thorson wishes to speak first, may I start by asking that the point made by you, Mr. Chairman, on second reading on this bill in the house, be dealt with?

Mr. Donald Thorson, Assistant Deputy Minister of Justice:

The CHAIRMAN: I stated in the house on second reading of the bill, Mr. Thorson, that we have existing legislation in the Statistics Act and the Department of Labour Act, and we have the Companies Act of Canada. I recognize that the Companies Act of Canada relates only to dominion companies. But what I said is that the provisions in the Statistics Act were broad enough to get any kind of information, that is, statistical information.

Senator KINLEY: Are there not some features in all these acts that could be consolidated, Mr. Chairman?

The CHAIRMAN: Consolidation is a difficult thing to do. You cannot call it a consolidation because the other statutes still remain. Maybe a lifting out and developing of certain aspects could be done under the Statistics Act.

Mr. THORSON: I think it is appreciated that the Companies Act has the limitations you mentioned, Mr. Chairman. As regards the Statistics Act, perhaps the first point to make is that the information to be obtained under this bill

is designed for the purpose stated by Mr. Bell a moment ago, and therefore it is not the intention that it become incorporated in and form part of the general body of statistical material assembled by the Bureau of Statistics under the authority of the Statistics Act. Secondly, all the information that is received under the authority of the Statistics Act directly is required by the Act itself to be kept strictly secret and confidential, within the confines of the Bureau. Thus the details of such individual returns are not available to the Government under any circumstances—they are strictly confidential to the Bureau. They may be made available in summary form but not on an individual return basis.

In the case of this legislation part of the information to be filed with the Dominion Statistician is to be made available for public scrutiny in the offices of the Department of Labour and the Department of the Secretary of State respectively. The remainder, though, may be available to the Government for the purposes specifically stated in section 14 of the bill. There may be circumstances, and it is anticipated that there will be circumstances, where individual returns will be made available, in accordance with section 14 of the bill, to ministers in connection with the formulation of policy of a legislative character. This is the difference between the handling of information obtained under this legislation and the handling of information which goes directly to the Dominion Statistican under the authority of the Statistics Act.

The CHAIRMAN: Yes. What I said and intended to direct your attention to was that a simple amendment to the Statistics Act could provide for this information which you are dealing with, information to be supplied in a Section B return, and you could attach to the provision of that information whatever degree of a confidential character you wanted.

Mr. THORSON: Yes, sir, but perhaps I should have underlined this point: We felt it might very well be confusing to do so. If in the one statute you were to have provisions which deal at great length and very explicitly with the secrecy that attaches to the ordinary body of statistical information going to the Bureau of Statistics under the Statistics Act, and, if on top of that you were to graft on exceptions as regards information of the kind that might be called for under the new legislation, we feel that there might very well be created serious confusion not only within the bureau but also in the minds of the public, and after all it is vitally important that you should retain the confidence of the business community in the confidential nature of the returns that are made to the Dominion Statistician. This is vitally important from the bureau's point of view, and from that of the business community. We feel that we should avoid any kind of confusion at all.

The CHAIRMAN: At the present time the Statistics Act deals with two principal subjects, one is the census and the other is the collection of an infinite amount of statistical information. And I do not think that any difficulty will arise if you give him another pocket in which to put information. He is not directed under this bill to do any particular study of these returns except the minister may ask him to prepare a general report on it. How do you suggest under those circumstances that he might be confused or that the public might be confused?

Mr. THORSON: I think it is a question of the segregation of the information itself as it arrives at the bureau. It is quite true that the functions of the Dominion Statistician are not defined here except insofar as the bill requires the preparation of an annual report in summary form. There is still a final problem of segregation so that if some of the information were to come into the bureau under one set of restrictions as regards its confidentiality and other information were to come in under other restrictions, we feel that that situation might very well lead to difficulties.

The CHAIRMAN: Wouldn't it be just be another form under another number, and all these would just go into a sorting machine? I am trying to appreciate what the confusion might be. I cannot see it. I think the Dominion Statistician is too capable a person to be easily confused.

Mr. THORSON: In any event, Mr. Chairman, it seems to me we have made a considerable point in this case in setting out precisely what information is called for under this legislation, unlike the Statistics Act which gives the Dominion Statistician considerable scope in specifying the details of the information to be called for. This legislation explicitly states the information that is required to be stated in the return. It is not left to anyone's discretion—the questions are specific, and therefore if there were to be an extension of the Statistics Act in effect you would end up with this bill being appended to the existing provisions of the Statistics Act. Since it has a quite separate purpose from the general assembly and compilation of statistical data at large, it seemed to us that the better course was to make it into a separate bill. Secondly we were faced with the problem of requiring specific rather than general defined questions, and, thirdly, a different method of treatment of the information.

The CHAIRMAN: Is not the collection of the information under the Statistics Act, which provides for annual report to Parliament relating all the information that has come in, could it be said that the purpose and the functioning of the Dominion Statistician under the Statistics Act is to inform Parliament as to the state of our economy, earnings and what other features that are called for in those reports so that they may be guided in their policymaking?

Mr. THORSON: Well, I do not know whether it would be correct to say exactly that the purpose is to inform Parliament as to the state of our economy. The purpose is to compile and collate certain statistics which may or may not be used in connection with the subsequent formulation of legislative policy. As I have indicated, this bill has a different purpose and a different treatment of the information obtained under it. Here the precise individual returns may, under certain very rigidly stated and defined circumstances—and I would refer honourable senators to Clause 14 of the bill—be made available to the Government itself.

Then, again, in connection with the formulation of legislative policy, I think it is correct to say that individual returns cannot under any circumstances now be made available to the Government, or to departments of the Government, under the authority of the Statistics Act.

Senator LEONARD: You are speaking now particularly of section 14(5)?

Mr. THORSON: Yes I am.

Senator LEONARD: That is for any purpose relating to the determination of policy in connection with the formulation of any law of Canada, and it is only under those circumstances that the Dominion Statistician may communicate an individual return?

Mr. THORSON: That is correct—the confidential portion of an individual return.

Senator LEONARD: The confidential portion of an individual return. But that does not necessarily mean to the Cabinet. It might mean to a minister, to any minister?

Mr. THORSON: Yes it could.

Senator LEONARD: A deputy minister?

The CHAIRMAN: Any person who was a minister.

Mr. THORSON: Any "official or authorized person".

Senator LEONARD: Any person who says that this information is required for the determination of policy. That must be a requirement, by the Dominion Bureau of Statistics, that it must be for the determination of policy?

Mr. THORSON: That is correct sir.

Senator KINLEY: Would the witness deal with the exceptions on the bill for so-called businesses as set forth in the schedule?

Mr. THORSON: Yes sir. The schedule represents an attempt to avoid duplication of information returns under the general body of the law. The same considerations do not apply to each of the individual categories of corporations set out in items 1 to 17 of the schedule, but the *rationale* is the same applied to all.

For example, take some of the more obvious items. We do not require information relating to Crown Corporations, or corporations listed in Schedule D to the Financial Administration Act, as full information is now available to the Government about those corporations.

Again there is the example of a bank to which the Bank Act applies. Very full information is now being filed with the Inspector General of banks, and that information is available to him and through him in large measure the same sort of information is available to the Government at the present time.

Therefore, it was felt that the balance of convenience weighed in favour of not requiring duplication of filing requirements as applied to those classes of corporations.

Senator KINLEY: There are a lot of exceptions here, are there not?

Mr. THORSON: Yes sir. For example, the first six items all represent cases where information is being filed now under one or another federal statute.

Senator KINLEY: I see.

Mr. THORSON: Item 7 in the schedule is, of course, our own crown corporations. Item 8, Canadian Municipalities, is, I think, obviously not an ordinary business corporation.

In regard to item 10, again we are not interested in corporations which are owned by foreign governments. We feel that we have no need to ask for information of this kind. In any event, it is perfectly obvious that they are foreign controlled. This being the object of the legislation, it would be quite redundant to require this information.

Also, in regard to item 12, we do not seek information regarding corporations established for religious purposes.

Senator KINLEY: There is item 11;

> A corporation not less than 90 per cent of the shares or capital of which are owned by the government of a country other than Canada.

Mr. THORSON: Yes. Some of the major air lines are examples of that—B.O.A.C., Air France and a number of others.

Senator KINLEY: This refers to any corporation, where not less than 90 per cent of the shares are so owned. It does not apply to air lines especially?

Mr. THORSON: No, to any corporation at all.

Senator KINLEY: Why do you specify air lines?

Mr. THORSON: Merely as an example.

Senator KINLEY: This schedule refers to item 12, corporation for religious or charitable purposes, and item 13, corporations licensed under the Radio Act, and item 14, trans-continental air carriers, and item 15, railway, telegraph, telephone or express companies or carriers by water. But there was an exception in the case of so called small businesses. How far does that go?

Mr. THORSON: I believe, sir, you are referring to item 16 of the schedule.

Senator KINLEY: It says:

> Any corporation . . . in respect of which it can be established that (a) the gross revenue of the corporation . . . did not exceed $500,000 . . .

. . . that is the gross revenue in a year? What do you mean by gross revenue?

The CHAIRMAN: Gross income.

Senator KINLEY: That means the gross turnover?

The CHAIRMAN: The revenue.

Senator KINLEY: This says:

> (b) The assets in Canada of the corporation as of the last day of that reporting period, . . . did not exceed $250,000,

. . . that is, the assets?

Senator LEONARD: Might we stop there, Senator Kinley, and just make it clear that the company must fulfil both those requirements.

Mr. THORSON: That is correct, sir.

Senator KINLEY: And it must have a certain turnover? Its assets must be over a certain amount? What about its liabilities?

Mr. THORSON: We are not attempting to measure the excess of assets over liabilities: we are looking merely at the assets side.

Senator KINLEY: Is it the reason for this, that it is included in some of the other bills which have been mentioned?

Mr. THORSON: No. I think this can best be explained again in terms of a balance of convenience. As it is now, there are some 25,000 corporations in Canada which will have to file returns under this legislation. That is out of a total of, I believe, roughly 100,000 corporations, in all. This particular item takes out a great many thousand small corporations and relieves them from any liability to file returns under the act.

Senator LEONARD: The possibility, Mr. Thorson, is that you may have to lift that when you have one year's returns and discover that a great many of the companies have no foreign interest whatsoever. Consequently, that limit might well be raised so as to get rid of them.

Mr. THORSON: That is, of course, a possibility. I would emphasize that the bill is, to some extent, a first step in this matter and experience may well indicate that some change is necessary.

Senator LEONARD: You had to take some figure out of the air, without knowing exactly what was the correct figure in order to get those companies which are significant into the picture.

Mr. THORSON: Yes, quite. One could argue endlessly as to what the proper figure is. That is the one we selected in accordance with what we considered to be the balance of convenience.

Senator LEONARD: There are some 6,000 which are recognized as owned and controlled in that way.

Mr. THORSON: There are some 6,500, but one of the objects of this bill is to find out more about the accuracy of these statistics.

Senator BURCHILL: Before you leave item 16 of the schedule, telephone companies under provincial charter did make returns. Are telephone companies under provincial charter excluded?

Mr. THORSON: No. There is an obligation to report provided they are not let out by item 16. In other words, to take the case of Ontario, there are, I believe, some 300 small telephone companies in addition to the Bell Telephone Company. Now, most of these—I think 80 per cent of them—have fewer than

500 telephones in their systems, so that in the ordinary course I would certainly assume that most of them would be exempt by item 16, notwithstanding that there is otherwise an obligation to report, and they are not excluded by item 15.

Senator BURCHILL: Under the other section they would have to report. I mean, a telephone company that does not report to the Board of Transport Commissioners would have to report?

Mr. THORSON: That is correct.

Senator BURCHILL: How often are these reports to be made?

Mr. THORSON: They are annual returns under the bill.

Senator KINLEY: Is there any difference between a personally owned company and a corporation?

The CHAIRMAN: This bill deals with corporations and unions, yes.

Senator KINLEY: And individuals?

The CHAIRMAN: Individuals, no.

Mr. THORSON: Nor with unincorporated companies.

Senator KINLEY: Does exemption under item 2 depend upon the type of insurance?

Mr. THORSON: The exemption set out in the schedule is not contingent upon the type of insurance.

Senator KINLEY: I thought there was some mention of marine insurance. Are insurance companies generally mentioned?

Mr. THORSON: No; only insurance companies that are registered under the two federal statutes, namely, the Canadian and British Companies Act, and the Foreign Insurance Companies Act.

Senator KINLEY: Mr. Chairman, do not marine insurance companies contract out from the Insurance Act? They are not subject to the Insurance Act are they?

The CHAIRMAN: You mean they do not report to the Superintendent?

Senator KINLEY: And they have no obligation to the Cabinet?

The CHAIRMAN: When we were dealing with an insurance bill the other day the Superintendent made some reference to the fact that marine insurance companies do not report to him.

Senator KINLEY: It is largely in the hands of outside companies?

The CHAIRMAN: They are not exempt under this bill then.

Senator KINLEY: Well, the British are; they are exempt from the requirements of insurance in Canada.

The CHAIRMAN: No. I say that if you have an insurance company operating in Canada doing business in Canada, that is not under the provisions of our Canadian and British Insurance Companies Act. Then it is covered by the bill and it must report under the bill. Isn't that correct?

Senator REID: I have a particular question in mind I should like to ask, because I believe it would be a question of interest to a great many people, with regard to union funds. I will ask it now, if it is in order to do so.

The CHAIRMAN: I will make a note of it; but first of all there is a question I wanted to ask. Mr. Thorson, is it a fair statement, then, that you justify this bill, notwithstanding the fact that there is authority in existing legislation today to do what this bill does, or to provide for it by amendment? Because there is a single purpose for this bill, and therefore you chart your own course as to how the information will be treated, and you want to receive it in a separate basket and deal with it in that basket?

Mr. THORSON: Yes, sir.

The CHAIRMAN: Even though you impose a lot more paper work on corporations and it will cost them more money?

Mr. THORSON: Undoubtedly it will cost them some money to file returns under this legislation. Whether it would cost more money if additional questions were required directly under the Statistics Act, I would not care to comment upon.

The CHAIRMAN: I thought if you put another paragraph 12 or 13 in some of these forms D.B.S. has now, it might be done a lot more quickly than if you took a separate set of forms.

Mr. THORSON: Well, again, I would feel importance should be attached to the fact that this bill asks in statutory form certain specific questions and does not leave any discretion to ask other questions. The questions that are to be asked are all stated in this statute. It is not really a question of simply adding a little something to the Statistics Act authorizing the Dominion Satistician to ask questions in this area. This bill deliberately avoids doing that; it deliberately sets out the exact questions to be answered.

The CHAIRMAN: Is that not the effect of section 5 in the Statistics Act which says:

> The minister may employ from time to time in the manner authorized by law, such commissioners, enumerators, agents, and so on, to collect for the bureau such statistics and information as he deems useful in the public interest, relating to such commercial, industrial, financial, social, economic and other activities as he may determine.

Now, the minister makes the determination. Does he do it in a general, blanket way? Does he necessarily have to do it that way, or can he take it in the form the statute says, and say, "Those are the things on which I want that information—put that into a form."

Mr. THORSON: If it were left open to the minister or the Dominion Statistician to devise any question he saw fit to devise—

The CHAIRMAN: No, that was not my question. My question was, I presume that these specific questions which are in this bill are the questions which you added by amendment to the statute, and should the specific questions under section 5—

Mr. THORSON: That they would be so stated in the statute?

The CHAIRMAN: Yes.

Senator LEONARD: Would that not mean that not only questions 12 and 13 in the old form would be available to the minister in another department, but questions 1 to 11, which are not now available, would have to be made available because the return would cover them all?

The CHAIRMAN: Yes. But what concerns me, and I am going to stress it too much, is that all the information under the Bureau of Statistics Act and this act goes first to the Dominion Statistician, and he sort of revolves it in the drum, and then he exercises his judgment, and information comes to him from other departments of government, and that is also collated as well.

Senator BAIRD: Does he not have to treat this information secretly?

The CHAIRMAN: All the information under the Statistics Act is confidential.

Senator KINLEY: But it can be obtained in an emergency.

The CHAIRMAN: Not the individual returns, no.

Senator LEONARD: But this individual report can be obtained by a deputy minister in another department, and questions 1 to 11, using your example, cannot now be obtained?

The CHAIRMAN: That is right.

Senator LEONARD: So if two more questions were asked on that return, he would have to hand over one return that is now confidential?

The CHAIRMAN: This bill is exactly that; because we are providing the two types of information in the same informational return. They may be separate sheets, but it is in the same return, and he separates it and sends the one to the Secretary of State and the Minister of Labour, and he keeps the other.

Senator BAIRD: He can keep it separate; he does not have to mix it up with others so anybody else can see it?

The CHAIRMAN: There may be something but I am not sure that it is of that overriding importance, or that such confusion could result.

Senator KINLEY: Are ther any sanctions provided for in this bill similar to the ones in the other one?

The CHAIRMAN: You mean penalties for not supplying the information?

Senator KINLEY: Yes.

The CHAIRMAN: It is made an offence, Or, Senator Kinley, do you mean for not giving the information or breaching the confidence?

Senator KINLEY: For not giving the information.

The CHAIRMAN: For not giving the information the penalty is, for the unions, by way of summary conviction, a fine not exceeding $50 for each day of such default. I assume for corporations there is a similar provision. I see the enforcement is the same, a fine of $50 for each day that the information is not given after the date of the request.

Senator KINLEY: This is a complicated bill and I think the penalty should be small in the beginning. People will not understand it and there will be many of them who will not be complying with it for a time.

The CHAIRMAN: I think that what will happen is that a form will go out to them to return. Is that the plan, Mr. Thorson?

Mr. THORSON: Certainly the legislation contemplates that where a return has not been filed the minister may in those circumstances send to the corporation or to an officer of the corporation a demand that the return be filed with reference to that corporation. That appears, I believe, in section 7.

Senator KINLEY: Are the provisions you quoted all obligatory, Mr. Chairman?

The CHAIRMAN: Yes, they read "shall".

There is a question that is bothering me, Mr. Thorson, and maybe you can clear it up. In the definition of an official and an authorized person the category under the heading "official" would include a tremendous number of people.

Mr. THORSON: Indeed, and it is designed to do so.

The CHAIRMAN: "Authorized person" is more limited?

Mr. THORSON: That is correct.

The CHAIRMAN: "Authorized person" is some person identified with the administration or enforcement of this act but I suppose an official might even include a man who had been a general in the army and still carried his title?

Mr. THORSON: That is possible. The idea of course is to reach out to the broadest possible area of persons in the public service and to impose on them a prohibition against disclosing information obtained confidentially under this act, even after they ceased to be employed in the public service. That is to say,

an official who was employed in a position of confidence in the public service who then leaves the service is under a restraint against passing the confidential information on after he ceases to be employed.

The CHAIRMAN: I was dealing only with the definition at the moment. The scheme of expanding the information is first, it is all concentrated with the Dominion Statistician?

Mr. THORSON: Correct.

The CHAIRMAN: Then it moves out from him to within the area of any person who is operating under the Statistics Act.

Mr. THORSON: You are referring now to the confidential report?

The CHAIRMAN: I am referring to the Section B report.

Mr. THORSON: That is correct.

The CHAIRMAN: The second stage is that it expands from the Dominion Statistician to any person who is an officer or who is employed in the execution of any duty under the Statistics Act or any regulations thereunder.

Mr. THORSON: Yes, that simply means the information may circulate freely and without restriction in the Bureau of Statistics. That of course is mechanically necessary.

The CHAIRMAN: The next range is the one that bothers me because in section 14 (5) you say "an official or authorized person". Now I assume they would be people who come within the definition of "authorized person". Any one of those may for a certain purpose communicate information?

Mr. THORSON: That is correct.

The CHAIRMAN: What I have been trying to find out is, under the act how the information could legally get to as board a field as provided for in your definition of official and authorized person.

Mr. THORSON: May I start with the Dominion Statistician, who is an "official". Therefore for the purpose stipulated in section 14 (5) of the bill the Dominion Statistician is at liberty to pass the information on, subject to the conditions stated, to any other official. Now, that other official on receipt of the information may only communicate it to still another official subject to exactly the same limitation.

The CHAIRMAN: That was not my point. My only point was that the official and the authorized person, I am staying with that category, are in a very broad category under the definition.

Mr. THORSON: Very broad.

The CHAIRMAN: And I am saying, how does the information get to them under the act because as I see it the Dominion Statistician gets it, employees operating under the Statistics Act get it and then you come to a question where the Government wants to get information for formulation of a policy, and the Dominion Statistician can communicate it or I suppose any persons operating under the Statistics Act could in theory communicate it, but the definition of an official or authorized person is much broader than that.

Mr. THORSON: It simply means that it is most unlikely to get wide circulation because of the restrictions set forth in section 14 (5), but we have not attempted to define it in terms of the identity of persons who may receive the information. If for example the Dominion Statistician, for the purposes set forth in section 14 (5), passes the information to a minister of the crown and then for the same purpose the minister of the crown passes it to his deputy or to some other senior official in his department, then that deputy minister, that senior official is subject to the identical restriction as regards the right to pass it on to some other official.

Senator POWER: And so it passes right down the line in the same way?

Mr. THORSON: Subject to this same rigid restriction.

Senator POWER: Is this so rigid as to exclude a private member of the Senate or of the House of Commons who wishes to determine a policy in connection with a law they are going to formulate and to present to Parliament with respect to any of these corporations—can he get all that information? Are you confining the determination of policy and formulation of law to members of the cabinet, let us say? Why could I not be one who wants to do something about some particular corporation?

The CHAIRMAN: And as a privy councillor?

Senator POWER: I would drop that for a while before I have to drop the other. As a private member who has some idea with respect to a corporation or to all corporations and who wishes to study carefully the bill which he wants to present to the house, can he get the information required from those returns?

Mr. THORSON: In respect to that question, Senator Power, I think the first step would be to determine whether the member was an official as defined in the act. Now it can only go to officials, and an official is defined as a person employed in or occupying a position of responsibility in the service of Her Majesty.

The CHAIRMAN: Or formerly having done so.

Mr. THORSON: Yes.

Senator POWER: Well, then, take the same case and assuming that members of Parliament of the house or the Senate are employees of the crown, and then consider another fellow who goes in and joins the Chamber of Commerce, say I want something to do in my new freedom, and he wants to have all this information. He wants this, and he is a former member of the Senate. We will all have to find jobs after a while. Cannot he get all this information from the Dominion Statistician?

Mr. THORSON: I should have mentioned that the ordinary Member of Parliament is not employed in the service of Her Majesty.

The CHAIRMAN: Or occupying a position of responsibility in the service of Her Majesty?

Senator ISNOR: But a person may have been an officer in the service of Her Majesty?

Senator POWER: Or a lance corporal in the army?

The CHAIRMAN: Who is to exercise the judgment? Is the Dominion Statistician going to make a decision? When a person who is qualified under the definition officially goes to him and asks for particular information, is it the Dominion Statistician who says: "I do not think you want this information for the determination of policy in connection with law and I will not give it to you."

Mr. THORSON: He is certainly under an obligation to satisfy himself that that is the purpose of the request.

The CHAIRMAN: Is there any other question before we move on?

Senator LEONARD: I should like to ask Mr. Thorson about item 16 of the schedule, which refers to:

> (*a*) the gross revenue of the corporation for that reporting period from the business carried on by it in Canada, determined as prescribed by the regulations, did not exceed five hundred thousand dollars, . . .

The point was made yesterday by Senator Burchill, that it appears to be a hardship on the smaller companies. At the present time, $500,000 in a business is not very large. I would say the figure should be at least one million dollars.

Mr. THORSON: As has been said earlier, we had to take some figures to start with. Without dwelling on the point, I think the answer to the question is that the decision depends on an evaluation which must be made. We made the best evaluation we could. I have a statistical comment here. If the minimum size limits were doubled, if we went from $500,000 of gross revenue to one million dollars, and from $250,000 of assets in Canada to a half million, then about 12,000 companies would be under an obligation to report, as opposed to some 25,000 estimated now to be under an obligation to report.

Senator ISNOR: That means that you are putting an extra burden on 13,000.

Mr. THORSON: The difference will be 13,000 companies, approximately.

Senator ISNOR: You are putting an extra burden of overhead of expense on smaller business concerns in Canada. That is a fair statement, is it?

Mr. HODGSON: It is, I think, true that 15,000 extra will report; but if only corporations over $1 million and half million dollars respectively were reporting, the accuracy of the overall statistics indicating the extent and effects of foreign control would be invalidated to that extent and they would be less indicative and less accurate.

Senator ISNOR: You do not mean to say that small companies of $500,000 or one million dollars are controlled to a great extent by foreign interests?

Mr. HODGSON: We know that there are some known to start small and some of them might be firms known to have a substantial degree of foreign control. These are things we do not know in detail. We thought we should play safe in formulating legislation at this stage. Later on it may turn out that the paragraphs may be further extended, beyond paragraph 17 of the schedule.

Senator ISNOR: I start off with that 17 there and the gross revenue and the assets, and I turn back to number 6. Would you give me a reason why a co-operative credit society has been granted exemption?

Mr. THORSON: Yes. The principle is identical for each of the first six items, the consideration being that the corporations in question already now file information with one or another department or agency of the federal Government. That is the basic test—the information being similar or substantially similar.

At the present time there are one federally incorporated society and four provincially incorporated societies, filing under the Co-operative Credit Societies Act. These submit annual returns to the Department of Insurance and they are under the detailed supervision of that department. Of course, the majority of credit unions are operating under provincial legislation, including for example, the very numerous *caisses populaires*. None of these are certified under the federal act or report to the Department of Insurance and therefore do not come within the scope of the item.

Senator ISNOR: I have no particular class of credit union operations in mind, but I do know that they are in competition with the regular retail type of business. Why should you expect a small retailer doing a business not exceeding $500,000—or, rather, doing a business exceeding $500,000—to make you a return while a credit union type does not?

Mr. THORSON: But the credit unions do have to report if they are over that size, except those that already report fully and completely to the federal Government.

Senator ISNOR: I want to get that on the record, that the credit unions do come under this in the same way as a normal type of business.

Mr. THORSON: Yes, assuming they are incorporated.

Senator ISNOR: Provided they are incorporated? Do you consider a credit union, in a general way, as incorporated?

Mr. THORSON: Well, I believe the only ones I have ever heard of are incorporated. It is barely possible that there might be some which are not. I can assure you I do not know of it.

Senator DAVIES: I ask if newspapers come under this?

Mr. THORSON: Oh, yes, sir.

Senator REID: According to some reports, considerable sums of money were sent by United States unions to set up a new union. Will contributions from United States unions to Canadian unions for political purposes be let in? Will these be reported? I know industry and the unions want to hide the amount they have in funds, and this is going to be very interesting, and I would like to know whether these contributions will be known.

Mr. THORSON: No, it does not require that these contributions be shown.

Senator BAIRD: As such?

Mr. THORSON: As such.

Senator BAIRD: But the overall expenditure—

Mr. THORSON: Well, to the extent it might influence the whole overall total of the assets and liabilities of the union.

Senator REID: I have another question. Will the amounts handed in as contributions from their own members be revealed?

Mr. THORSON: I believe your question is directed to page 8 of the bill, subparagraph (ii) of paragraph (*b*). These are the payments that must be shown in the case of unions having headquarters situated outside of Canada. These are the payments that are made to the union by the Canadian membership of the union.

Senator REID: That does not apply to United States contributions. Many come from United States unions across the line for political purposes.

The CHAIRMAN: Except generally that under this paragraph 9, at the top of page 8 of the bill, section B states that a statement of income and expenditure shall be filed "in such form and containing such particulars and other information relating to the financial position of the union as may be prescribed by the regulations . . ." so therefore any income coming from the United States would be included. Whether it would be earmarked or not, I do not know. I do not know what the regulations are going to provide, because this bill provides for regulations even in relation to how this information I have referred to shall be given. What form the regulations are going to take, I do not know; but they will have a lump sum total, and how valuable the information would be in the formulation of policy, I do not know, unless of course you knew the sources of income. So I would say it is possible to get the information under the bill as it is drawn. Whether the regulations will provide a form that will break down the sources of income, I do not know.

Mr. THORSON: Certainly there will be a breakdown of information under the usual heads of income and expenditure shown by unions, but it is not the intention to require a statement of political contributions separately.

The CHAIRMAN: I would think also, quite apart from this bill—and Mr. Thorson might not agree with me—that under the provisions of the Department of Labour Act, if the minister wanted to make a demand, his authority to collect statistics is broad enough that he could get that kind of information. I am talking quite apart from this bill.

Senator BAIRD: It would be pretty far fetched if he had it, just the same.

The CHAIRMAN: Are you familiar with the details of that act, Mr. Thorson?

Mr. THORSON: No, I am not familiar with the details of that statute, sir.

The CHAIRMAN: We will have the act before us in a moment. Have you any further questions, Senator Reid?

Senator REID: No.

The CHAIRMAN: Any other questions? I do not want you to take my silence in relation to further questioning on some of the points I raised, Mr. Thorson, as meaning I am fully satisfied that this bill was necessary in this form and that it could not have been done under the existing legislation.

The broad scope of paragraph (5) of section 14 really amazes me; it says:

> Any official or authorized person may, for any purpose relating to the determination of policy in connection with the formulation of any law of Canada... communicate or allow to be communicated to any other such person any privileged information obtained under this act...

May I now revert to the Department of Labour Act. Section 4, under "Statistics" says:

> With a view to the dissemination of accurate statistical and other information relating to the conditions of labour, the Minister shall collect, digest, and publish in suitable form statistical and other information relating to the conditions of labour, shall institute and conduct inquiries into important industrial question upon which adequate information may not at present be available, and issue at least once in every month a publication to be known as the *Labour Gazette,* which shall contain information regarding conditions of the labour market and kindred subjects...

et cetera, et cetera. Now, I suppose, the movement of money in and out of a Canadian union, whether it is a local or an American union or not, is a matter that would come under the heading of conditions of labour.

Mr. THORSON: That is a possible interpretation, Mr. Chairman.

The CHAIRMAN: But reverting to that subsection 5 of section 14 of the bill, my only comment is that I cannot conceive language to be broader than that.

Mr. THORSON: Possibly I may be able to clear up any misapprehension that may exist, by pointing out that the prohibitory provision is subsection 1 of section 14. That contains the prohibition that no official or authorized person shall knowingly communicate or allow to be communicated any privileged information obtained under this act. Now, those prohibitions are under subsection 1, and the only defence that the official would have would be to establish that he is a person who, under the provisions of subsection 5 of the section, was entitled to pass the information on. It would be a matter for him, therefore, to establish that he did pass it on for a purpose relating to the determination of policy in connection with the formulation of any law of Canada or the ascertainment of any matter necessarily incidental thereto.

The CHAIRMAN: All I am saying is that I cannot conceive how it could be expressed in broader language than is used. Once I have qualified as a person entitled to pass on information I have taken the full hurdle so far as any exception is concerned. Now, I might want a lobby in connection with legislation that I think would be a good thing for Canada, and if I was a person qualified I might demand the information for that purpose.

Mr. THORSON: If I may say so, Mr. Chairman, it does not necessarily follow that you would be entitled to receive it.

The CHAIRMAN: Well, if the Dominion Statistician refused it to me, the court might say one day "shall" instead of "may".

Mr. THORSON: In my opinion, in this context, it is not mandatory, it is permissive, and intended to be so. May I also direct your attention, Mr. Chairman to subsection 6, which drives the point home, making it abundantly clear that notwithstanding anything in this particular section, in no case shall any privileged information be communicated from one person to another for the purpose of facilitating proceedings under any other law of Canada except this act, so that the information cannot be used, for example, as a cross check for the purposes of income tax, or under the Combines Investigation Act.

Senator REID: Mr. Chairman, I would like to ask about contributions received by Canadian unions from United States Unions, because there are such a thing as contributions from American unions to Canadian unions and they are all segregated in paragraphs (A) to (G) on page 8 of the bill.

Mr. THORSON: Those are the payments made by Canadian members of the union to the union, in the case of the union that has its headquarters situated outside Canada—

Senator REID: Are you planning to make it wider?

Mr. THORSON: To include all kinds of contributions?

Senator REID: No, just contributions from American unions to Canadian unions. For instance, during the setting up of the new party, according to press accounts I have read, it was stated that two United States unions made contributions of $20,000 each. I am only going by what I read in the press. Those contributions were made for a specific purpose.

Mr. THORSON: This is referring only to the outpayments, the payments made by members in Canada going to unions having headquarters outside of Canada, so they would not be reflected under this heading.

Senator ISNOR: Section (B) provides for the filing of an income and expenditure statement.

Mr. THORSON: That is where the income would show.

Senator ISNOR: May I point out that in addition to sales revenue, certain firms receive commissions for handling certain types of goods. That is a commission. Senator Reid's point is that if commissions are required to be shown, if a company is obliged to show commissions as a receipt, as a revenue, why should not a union be asked to show contributions as revenue.

Mr. THORSON: Perhaps you are anticipating—

Senator ISNOR: I am anticipating nothing. I am just saying that on the same basis that a business firm is required to show commissions as revenue for that period then the union should be asked to show contributions because it is a revenue which they later will disburse.

The CHAIRMAN: May I point this out and I do it only to clarify the situation. The same requirement of a financial statement from a corporation requires one also from unions in the matter of a statement of income and expenditures.

Senator ISNOR: Not exactly.

The CHAIRMAN: The thing we do not know is what is going to be in the regulations because the form in which the return is to be made is to be prescribed by regulations. Now what is going to be in those regulations I do not know.

Senator ISNOR: Neither do I know what is going to be in the regulations. All I know is what is contained in this bill at the present time. Now, corporations and unions are not on the same footing in regard to this particular item in the report. Corporations have to report under items (A), (B) and (C). When you

come to unions you have no item (C). The union is not required to report any of the items in the (C) group, they have only to report on the items (A) and (B).

Mr. THORSON: Might I refer to a portion of the minister's statement in the House of Commons on April 2nd.

Senator ISNOR: You may, but we will still come back to the terms of the bill.

Mr. THORSON: He deals with this point. It appears on page 2399 of *Hansard* of April 2 and reads as follows:

> In preparing the legislation, particular care has been taken to ensure that unnecessary information is not being requested, and that the burden of reporting will not be relatively more onerous for labour unions than for corporations, or vice versa, having regard to the differences in their functions. As a further means of facilitating the preparation of the reports, it is contemplated that corporations will be permitted to file financial statements in the same form and at the same time as those supplied to the Department of National Revenue for income tax purposes. This relates only to the general statements such as the balance sheet, statement of income and expenditure, and statement of surplus; copies of the detailed and confidential schedules filed for income tax purposes will not be required by this bill.

Senator ISNOR: Unions do not have to give a return under item (C), which is a statement of their surplus at the end of the year.

Mr. THORSON: That is correct.

Senator ISNOR: But a business corporation has to give that information.

Mr. THORSON: Yes.

Senator ISNOR: How, then, are you going to get your continuity from year to year in regard to your surplus?

Mr. THORSON: Not being an accountant I am not sure I can answer you properly in the accounting concept. May I indicate what we have in mind by statement of surplus, in relation to the provisions of the Companies Act.

The CHAIRMAN: The Companies Act has the same provision. You will find it in section 116 (1) (c), which requires a statement of surplus showing separate accounts for capital surplus, distributable surplus and earned surplus respectively, the amounts of such surpluses respectively at the beginning of the financial period, adjustments affecting previous financial periods, net profit or loss as shown by the statement of income and expenditure, dividends paid or declared on each class of shares and so on and so on.

Senator ISNOR: I can appreciate that as far as the company is concerned. My point is that you ask the company to show their surplus in a report each year but you do not ask that information of the unions, you do not ask them to show their surplus, with the result that they may get a contribution of anywhere from $50,000 to $500,000 for any purpose, advertising, for instance, and that can be carried through in the following year because it does not show as a surplus.

Mr. THORSON: It shows in the statement of income and expenditure, sir.

Senator ISNOR: Yes, but you do not require them. You ask word for word for (A) and (B); you have no (C), not so far as unions are concerned. Look at the bill and you will see that.

Mr. THORSON: I am sorry, I really cannot answer it, not being an accountant. The best accounting information I received at the time this

question was under consideration is that a union does not normally prepare its financial statements in such a manner as to include a statement of surplus, as that expression is understood in accounting terminology—this is just not done by unions, not by any of them. I may be mistaken in that.

Senator REID: For the first time in our history, Canadian unions are now entering political life. They have never been in political life before but they are in it now, and they are being assisted by U.S. unions. I do not think consideration should be given to them at all.

The CHAIRMAN: It is in the bill, Senator. If I have $100,000 of income in the year and I have spent $50,000 my surplus for that year is $50,000. If I furnish as is required here a balance sheet showing a statement of assets and liabilities, then the difference between the assets and liabilities is what my net worth is at the end of the year. Therefore, you have the information. The question which has not been answered—and apparently these witnesses cannot answer it—is as to what the regulations are going to prescribe. It is a question as to whether the statement of income is going to be broken down so as to disclose the sources of income. That is the question, but it is a question of Government policy and since this bill is experimental I have not been pressing a lot of points I have made in connection with the bill, mainly because it is experimental. I suppose one has to start from somewhere. It may be found after a year or so that the start was made in the wrong place. That can be amended then. If the regulations now do not go far enough, it may be that we will have something to say about it at some future time. However, we cannot speculate on the regulations as we do not know what they are going to be.

Senator ISNOR: It is not a matter of the regulations. We are dealing with the bill. That is the point raised.

The CHAIRMAN: The bill provides for:

(a) a balance sheet showing the assets liabilities of the union, made up as of the last day of the reporting period, and

(b) a statement of income and expenditure for the reporting period, in such form and containing such particulars and other information relating to the financial position of the union as may be prescribed by the regulations,

Senator ISNOR: A few years ago banks were required to make returns and publish a statement of their receipts and expenditures, and also their balance sheets showing the surplus at the end of the year. They were able to put a nice reserve aside, but it got so large that the Government stepped in and more or less told them they would have to pay dividends to a greater extent, and so on.

The CHAIRMAN: No. What they did was they exposed more of the reserves to taxation.

Senator ISNOR: In this case here, not having to file under (C), showing their surplus, that may give them a rest account or reserves which will run, in a very few years, into millions of dollars.

The CHAIRMAN: They cannot do it without it being known, if they furnish the (A) and (B) information.

Mr. THORSON: It would show on the balance sheet.

Senator ISNOR: You must follow that through each year?

Mr. THORSON: You would be able to do so under this language because you must also, in addition to the statement of income and expenditure, file a balance

sheet showing the assets and liabilities of the union, made up as of the last day of the reporting period and that of course includes consecutive reporting periods.

Senator DAVIES: If they now furnish detailed statements to the Department of National Revenue, what is the reason for the additional information asked for under this bill?

The CHAIRMAN: Because you cannot get from the Department of National Revenue the information which is furnished there. You cannot secure from the Department of National Revenue the information that is filed with that department. They are under statutory prohibition against communicating that information.

Senator DAVIES: Why do they want this?

The CHAIRMAN: We have been told the purpose by the witness. The purpose is to get a closer look at the extent to which Canadian corporate business operations have a foreign investment element in them, or foreign personalities. That is what I understood.

Senator DAVIES: Would this have any bearing on increasing or decreasing the corporation tax as at present?

The CHAIRMAN: I would hope not.

Senator DAVIES: Do not say that.

The CHAIRMAN: As to increasing, I would hope not; as to decreasing, if that were it, I would put the question right away to approve of the bill.

The CHAIRMAN: I have a message here.

The Canadian Chamber of Commerce presented a brief to the Minister of Justice when the bill was being considered in the Commons and it would appear from the information that Mr. Armstrong was able to get from them, by phone, that we should not look forward to their appearing before this committee.

Also, the Canadian Labour Congress is in convention in Vancouver so there is no way in which we can get any information as to whether they even desire to make representations. While we would like very much to afford them an opportunity, if they wish to be heard, they certainly knew this bill was on its way through.

Here is a further message.

The C.L.C. has telephoned to say they are preparing, pursuant to our telephone message, a six-page letter of comments on the bill, directed to the chairman of this committee, as quickly as possible, but it would not get out of Vancouver before this afternoon.

A further comment is added, that some of the points which will appear in this letter, they understand, have been taken care of by the amendments in the Commons and they have not been able to sift them. Possibly, having invited them, we certainly should not close the door.

I suggest we adjourn consideration of the bill until the next sitting of this committee, which probably will be on Tuesday morning.

—The committee adjourned.

THE SENATE

STANDING COMMITTEE ON BANKING AND COMMERCE

EVIDENCE

OTTAWA, Tuesday, April 17, 1962.

The Standing Committee on Banking and Commerce, to which was referred Bill C-38, to provide for the reporting of financial and other statistics relating to the affairs of corporations and labour unions carrying on activities in Canada, met this day at 2 p.m.

Senator SALTER A. HAYDEN (*Chairman*), in the Chair.

The CHAIRMAN: Honourable senators, it is 2 o'clock and we have a quorum. If you recall, we adjourned last Thursday morning our consideration of this bill in order that the Canadian Labour Congress and the Canadian Chamber of Commerce might make any submissions they would care to.

We have had a submission from the Canadian Labour Congress which, in the first instance, was in the form of a letter and included in the letter a memorandum which had been submitted by the Canadian Labour Congress to the Government on March 14 of this year. Therefore, that memorandum was before the Government when this bill was going through.

I received another letter from the President of the Canadian Labour Congress, dated April 16. It is very short and is a further comment on the bill. It raises a point which was not raised in the original memorandum which went to the Government.

Since it is short and we have copies, it will be distributed and I also sent a copy to Mr. Thorson of the Department of Justice, who was before us at our last meeting. He may be prepared to comment on the contents of the letter.

The letter says:

> I should like to add a further comment on Bill C-38 in addition to what is contained in my letter to you of April 12th.
>
> For some reason we failed to observe the implications of Section 12 of this Bill. If we understand it properly, the Dominion Statistician could call on any officer or agent of a local union to provide information if such information has not been provided by what would presumably be the Canadian parent body of the local union. It is hardly likely that an officer of a local union would be in a position to provide the information that the Bill calls for, since Local unions are not in the habit of compiling such data. It would therefore be unjust as well as impracticable to retain this particular provision. Where there are several local unions in Canada of a non-complying union, an arbitrary decision would have to be made as to which officer of which local union would be required to provide the desired information. In view of the penalties provided for failure to comply, this is likely to result in a gross injustice to the officer that would be selected, especially if he were unable to provide the information because of lack of access to it.
>
> This same Section points up a criticism made in my letter of April 12th that the Bill fails to distinguish clearly between the parent body and the local union itself. I would therefore suggest that Section 2 (c) of the Bill be revised and that Section 12 be struck out as unjust and inoperative.

Before I ask Mr. Thorson to give us the benefit of his comments, I should point out to you that the reference to section 2(c) of the bill is to the definition of union. That definition is contained on the first page of the bill, as follows:

(c) "union" or "labour union" means any organization of employees formed for the purpose of regulating relations between employers and employees.

The suggestion of Mr. Jodoin is that the section should be revised, although he does not indicate in what way. His other suggestion is that section 12 of the bill be struck out. Section 12 provides for a demand by the minister for information in the case where a union has failed to file with the Dominion Statistican the information which is required to be filed.

Section 12 says:

> Where a union has failed to file with the Dominion Statistician a return for a reporting period as and when required by this Part, the Minister may, by demand made by registered letter to the senior executive officer or representative of the union in Canada or any officer or agent of a local union or branch of the union in Canada, require that person to file with the Dominion Statistician, within such reasonable time as is stipulated in the registered letter, the return required by this Part on behalf of the union,...

Then it goes on to provide for a penalty in the case of failure to file.

The suggestion which Mr. Jodoin makes in his letter of April 16 is that the section should be struck out, as it may impose a burden on an officer of a local union who would not have the information, which might be in the hands only of the parent, or at the headquarters of the union, which may be located outside of Canada.

I have my own views on the section, but I think that unless we intend to make this section twice as long it will be difficult to make it any more clear.

Certainly, I do not see that this section requires an officer of a local union to answer questions on the form, the answers to which he does not know and is not in a position to know. I think he would have satisfied the law if he did the best he could.

That is only a comment of mine and honourable senators do not have to pay attention to it. Perhaps Mr. Thorson would care to let us have his views on it now.

Senator LAMBERT: Is there a corresponding clause anywhere in this bill applying to corporations?

The CHAIRMAN: Yes, number 7.

Senator LAMBERT: Did the chamber of commerce in its brief make any reference to that at all?

The CHAIRMAN: I intended to deal with the Chamber of Commerce brief.

Senator LAMBERT: I wonder if there were a similar objection taken in respect to the attitude to a corporation in revealing information.

The CHAIRMAN: In some respects the Chamber of Commerce submission follows the brief of the Canadian Congress of Labour, but in reverse. The C.L.C. says it is "all right to ask this information from corporations, it is not right to ask it from us as we are not comparable".

Then the Chamber of Commerce says that this information is being asked from corporations and it should be asked in the same measure from unions. I will point out that later. Let us deal with the union question first.

Mr. Donald Thorson, Assistant Deputy Minister of Justice: Mr. Chairman and honourable senators, thank you for the opportunity to speak again on this matter. Perhaps it would be acceptable to the members of this committee if I commented on the point raised by Mr. Jodoin with a prefatory remark dealing with the purpose of clause 12 and its mechanics. I think this will assist the committee in illustrating how it is intended to work.

The purpose of the clause is to enable the Government to obtain information relating to the affairs of unions that are carrying on activities in Canada in circumstances where it may not be possible to obtain the information directly from the union headquarters or from the officers of the union. An example might illustrate the point. An example would be a union having its headquarters we will say, and its principal union officers, situated in Philadelphia. Now, in the absence of a provision such as that contained in section 12 of the bill, the union headquarters might take the position—we have no way of knowing—that it was not interested in supplying information required by this legislation, in which case, again in the absence of this provision, the Government would be powerless to obtain the information, because of course the headquarters of the union would be outside Canada in the illustration I have mentioned; the principal officers would similarly be outside the jurisdiction of the Canadian court. Thus we would have the situation where the union itself could not be brought before a Canadian court, nor the union officers who refused to comply with the requirement to file the information. The only possible way, therefore, to obtain the information would be to pursue the responsible officers in Canada of the union, including, if necessary, the responsible officials of the local union here in Canada.

To summarize: Without this provision, the reporting requirement as directed to a union of this kind might well be wholly ineffective.

Again, dealing with the further point raised by Mr. Jodoin, there is, of course, nothing new about the principle contained in section 12. There is a similar provision, as I am sure the chairman particularly is aware, in section 44(2) of the Income Tax Act, which provides for a corresponding demand for particulars directed to a person, whether or not that person is a taxpayer, concerning information relating to income. Thus the purpose of clause 12 of the bill, and similar provisions in other acts, is to enable the authorities in question to pursue those persons, who, in the ordinary course of events, have knowledge of, or are likely to be in a position to obtain knowledge of, the matters in question. In the circumstances, we do not feel it is unreasonable to expect the senior executive officer of such a union in Canada to file the information required by the bill on behalf of the union, and it is recognized that it may be necessary to institute proceedings against him in order to obtain compliance with the provisions of the bill.

Now, the local officer, therefore, of the union here in Canada would be in the position of having to obtain the information required by the bill on behalf of the union. If, however, and this is an important qualification, he is in a position where he is wholly unable to obtain the information in spite of his best efforts to do so, then almost certainly, and this would certainly be my opinion, he could not be found guilty of a violation of the statute. His defence would be that he had done everything that it was in his power to do by virtue of the office that he held in the union, and that having done so he was unable to obtain the information required. Certainly, in my view, such a defence would succeed.

The CHAIRMAN: And of course, tied in to your explanation in connection with section 12, would be the suggestion also by Mr. Jodoin that the definition section 2(c) be revised.

Mr. THORSON: Yes, Mr. Chairman. That may be based on a misunderstanding of the way in which the definition works. It is quite true that the definition

in section 2(c) embraces any organization of employees formed for the purpose of regulating relations between employers and employees. However, reference to section 8 of the bill, I think, makes it abundantly clear that the information being sought from unions would be sought form the parent organization.

The CHAIRMAN: The copy of the memorandum filed, presented to the Government while this bill was being dealt with in the Commons, has been distributed. I take it, therefore, Mr. Thorson, you are familiar with the main memorandum from the Canadian Labour Congress?

Mr. THORSON: Yes, I am.

The CHAIRMAN: Honourable senators, you have before you copies of three letters, one of which contains a portion of the memorandum submitted by the Canadian Labour Congress to the Government on March 14th. I suggest that the letters be incorporated in the printed proceedings as appendices. I take it this proposal meets with the approval of the committee.

Hon. SENATORS: Agreed.

(For text of letter dated February 8, 1962, from Canadian Chamber of Commerce, see Appendix A.)

(For text of letter dated April 12, 1962, from Canadian Labour Congress, see Appendix B.)

(For text of letter dated April 16, 1962, from Canadian Labour Congress, see Appendix C.)

The CHAIRMAN: In the memorandum are a number of suggestions. One is that the position of unions and corporations are so entirely different that it would have been preferable to have had separate pieces of legislation, one dealing with unions, the other dealing with corporations. Then, that portions of the bill deal with the situation that most, if not the entire business of unions, is done under the glare of publicity before the public eye, and therefore in their ordinary day-to-day operations there is more or less a full public disclosure of what they do; but they say, of course, that corporations are in an entirely different position, that they do not receive the same glare of publicity, and there is not the same view by the public eye of what is going on internally within these corporations, hence the need for statutes like the combines legislation, and it is a good thing to require corporations to make all these reports. But on reading through the entire brief, I come to the conclusion that the position of the Congress is that "Well, the Government has seen fit to present this, and while we do not approve of the form in which it is done, nor the extent to which it attaches requirement of reporting to the unions, yet it is there and we will do the best we can to comply with it." Would you say that is a fair summary, Mr. Thorson?

Mr. THORSON: I should think so, Mr. Chairman.

The CHAIRMAN: Mr. Thorson has dealt with the supplementary letter of Mr. Jodoin. But on the main brief which was considered, I must assume, by the Government, now is the time to ask any questions of Mr. Thorson.

Senator DAVIES: Did the Government make any changes after they got this representation?

The CHAIRMAN: Yes, there were changes in the bill during its progress through the Commons.

Senator DAVIES: And they have been taken care of?

The CHAIRMAN: I cannot say they have been taken care of; but changes were made in the progress of this bill through the Commons, and undoubtedly some of the changes have reflected some of the things contained in this memorandum. I have not made a study to see how many.

Senator BROOKS: Speaking of the glare of publicity it is said that labour unions get, is it a fact that the public know of their internal goings on, and so on? It may be true that as far as strikes, and matters of that kind, are concerned, the public is so informed, but is that true of the financial end of it?

The CHAIRMAN: Could I read what they have to say about it just to give you the understanding of what they say in this main memorandum.

> In the case of the trade unions it is safe to say that no other institution in Canada operates so much in the full blaze of public scrutiny. Union membership figures are published annually by your Department of Labour. Union financial statements are published by most unions or are otherwise made available to members and public alike. Policies are developed in open convention. Collective agreements are reported in the press on their conclusion; the major settlements are described in *The Labour Gazette*. Accordingly, Bill C-38 is likely to have two effects, neither of them desirable. It will, on the one hand, treat unions like corporations, which they are not. It will, on the other, create trouble and nuisance with respect to the provision of information, some of which is already available to you in one form or another, and a good deal of which is only of questionable value.

That is a summation of the union's position.

Senator BROOKS: That applies particularly to the Canadian unions. I was wondering whether that applied to the international unions to the same extent.

The CHAIRMAN: I would not be an authority on that but I would not be inclined to say that it did.

Is there any comment on this memorandum from the union? If not, I will pass on to the one we received from the Canadian Chamber of Commerce.

We also received a memorandum from the Canadian Chamber of Commerce, and in this case what the Canadian Chamber of Commerce submitted to us was a copy of their submission to the Minister of Justice dated February 8, 1962 and they indicated they had nothing further to add. So therefore the Government, in the presentation of this bill which is before us, and the amendments made in the Commons, had the submissions of the Chamber of Commerce.

Senator ISNOR: Is it your purpose to have this printed as an appendix to today's report, Mr. Chairman?

The CHAIRMAN: Yes. I am having the memorandum of the trade unions printed as an appendix, and I have also asked the committee to have this memorandum printed as an appendix.

Roughly, the Chamber of Commerce deals with the problem of reporting information. We were all through that the other day in our discussions in committee and also in the house, and Mr. Thorson gave an explanation as to why it was felt that the bill should take this form and provide for this information being returned in a special way notwithstanding the fact that the same information might be or may now be obtained under existing legislation, and that was the degree of the confidential character of individual returns under the Statistics Act as against the broader provision with respect to disclosure of individual returns under this bill.

It deals with reporting requirements in the main and of course makes some comment on the provisions in relation to unions.

You are familiar with this Chamber of Commerce brief, Mr. Thorson?

Mr. THORSON: Yes, Mr. Chairman, I am.

The CHAIRMAN: Have you anything that you could usefully say to the committee in connection with it?

Mr. THORSON: No, Mr. Chairman, I don't think I have anything to add. The brief was carefully considered before the bill was considered in committee in the house.

The CHAIRMAN: Yes. The sort of suggestion in the Chamber of Commerce brief is, for instance, if you are going to make your returns as required under this bill then you should do away with the requirements under the Companies Act where there seems to be some duplication. Either we have to recognize what Mr. Thorson has said as being the design or the plan behind this, to gather this information separately and even though the information may be going in other quarters, if we recognize that as a principle in this legislation, which is experimental at the present time then obviously we should not suggest eliminating the requirements in other statutes particularly when they are not before us.

Senator DAVIES: Has this been before the committee in the House of Commons at all?

The CHAIRMAN: Yes.

Senator BURCHILL: Mr. Chairman, I think Mr. Thorson made a distinction as between the information that is required at the present time and which will be required under this bill. In the case of the returns being made now they are absolutely confidential, are they not?

The CHAIRMAN: Yes.

Senator BURCHILL: And in this case, that is a will be required under this bill they are semi-confidential, if I can use that expression, that is they can disclose that information to other people.

The CHAIRMAN: The individual return under the Statistics Act is sacrosanct but under this bill there is a permissible degree of publication or to use a better term, communication.

Senator DAVIES: But only a select group of officials are entitled to receive it. A competitor firm could not come and ask for information given by another firm?

The CHAIRMAN: I would not say they would not come and ask for it but under this bill they would not get it.

Senator DAVIES: A minister may not have access to it?

The CHAIRMAN: Oh, yes.

If you are through with this brief of the Chamber of Commerce I would like to refer to the question of communication, and that arises under section 14 of the bill which is this communication section, and particularly subsection (5). I raised this point the other day and Mr. Thorson presumed to deal with it. If you know the scheme of section 14 of the bill and the scheme of communication, it starts off in subsection (1) of section 14 with a general prohibition against the communication of any section B information that has been obtained by the Dominion Statistician under this bill. Then we have a series of exceptions, and in those series of exceptions one is that in proceedings to enforce the provisions of this bill there can be disclosure. Another exception is made in the case of an official who is an officer employed in the execution of any duty under the Statistics Act. He may have this information. This section permits information to be communicated to him. One can understand that if he is to perform his work and collate this information.

Then the other exception, and this is the one which bothered me and still bothers me, and it is in subsection (5) which says that any official or authorized person may for a certain purpose communicate information to another such person. An official is defined in subsection (8) as any person employed in or occupying a position of responsibility in the service of Her Majesty and includes any person formerly so employed or formerly occupying such a position.

Now, if we do not look at the condition for the moment but look at the person who may communicate and the person who may receive, the person who may communicate would be any person who is lawfully under the bill in possession of this section B information, and the person to whom he may communicate is any person who is in the employ of Her Majesty or formerly was in the employ of Her Majesty, and the person communicating—this statute says "may" communicate, and then the condition is that he may for any purpose relating to the determination of policy in connection with the formation of any law of Canada or the ascertainment of any matter incidental thereto, what appears to me as the very broad level of communication as between, first, the person who communicates and, secondly, what looks to me like even a broader level down the scale of those who may receive. The only limitation is that the person communicating must form an opinion that the person who wants the information wants it for a purpose relating to the determination of policy in connection with the formulation of any law of Canada. For instance, if I were qualified as an official and I decided that there was a law of Canada that required some changing or that Canada should have a law in relation to something, I could start to organize or promote the consideration of that and, in the course of it, I would want to gather material. Gathering material I would go to an official and say, "I think there should be some settled policy on this point. It may require the force of law, some sanction of law, to make it effective, and I need this material in order that I may make my presentation so that there can be a determination." When you get down the line that far you might say, "Oh well, no person would communicate unless he were satisfied this was a genuine purpose." The offence would be if the person knowingly communicated information and it was not limited to the determination of policy in the formulation of any law. It seems to me it would be a good defence if he said, "This man made the representation to me, and it seemed a reasonable interpretation, and on that basis I gave him the information." I do not think for the purpose of enforcement this provision is included in the form in which it is necessary, but if the department says, "We want it in this form," the only suggestion I was going to offer the committee was this, that I would like to see the responsibility put some place else, and not just on the man who physically communicates at the moment. If you had some qualifying words in the beginning of the subsection which said something like this, "with the approval of a minister of the crown," and left the section the way it is, then, at least I have responsibility at the top. There is the idea I am putting forward.

This thing bothered me from the beginning. If you recall, I spoke on it in second reading and spoke on it in committee, and asked Mr. Thorson some questions, and I even indicated to Mr. Thorson this morning that it still bothered me and I asked him if he would give some consideration to it, so there would not be any element of surprise. He has done that, but I was wondering if there are any views members of the committee would like to express before I ask him his.

Senator ISNOR: I think that the point you have made, though well taken, does not go quite far enough. On page 11, lines 19 and 20, all the words after, "Her Majesty," and also all the words—the same words—after "Her Majesty" in lines 24 and 25—I think they should be eliminated. I can see trouble for the department in the future if these are left there.

Senator DAVIES: You do not like the word "formerly".

Senator GOUIN: I share that opinion as well.

The CHAIRMAN: Even if a former employee comes back as a consultant, surely he fits back as being in the service of Her Majesty.

Senator ISNOR: He becomes an employee?

The CHAIRMAN: Yes.

Senator BURCHILL: Perhaps Mr. Thorson, the other day, gave us some information as to why it is necessary to have that.

The CHAIRMAN: I want you to consider this, that my point is not so much why is it necessary to have this provision in; but it is rather the form and the basis of responsibility when the information is being given, and I want a minister to be responsible for saying, at any time any person down the line communicates to any other person, who is entitled to receive the information.

Mr. THORSON: I understand the distinction, Mr. Chairman. The purpose of extending the definition to include persons formerly employed in the public service is to ensure that a person may not, simply by resigning his employment in the public service, remove himself from the prohibition presently contained in the law against the disclosure of information. Therefore, it is necessary to ensure that after he ceases to be an employee, the prohibition still continues to apply to him and prevents him from disclosing information that came to his knowledge, came within his possession, while he was employed by the public service.

The CHAIRMAN: Would you not accomplish that if instead of having subsection 8, in subsection 1 of the bill, where under your general prohibition you say, "no official or authorized person shall, knowingly," do thus and so, you said, "no official or authorized person in the employ of Her Majesty or the former employ of Her Majesty"—shall do thus and so?

Mr. THORSON: I suppose this becomes a question of arguing how the bill might have been drafted. There are complexities which have to be considered, but I would simply draw to your attention that this definition must be read into the context of the first subsection.

Senator ISNOR: Would not you be able to obtain that same information, the information you are seeking, from the records of a company or a union?

Mr. THORSON: I am not sure I understand the question, senator. Under what circumstances?

Senator ISNOR: You are calling back a former employee to give you certain information.

Senator BEAUBIEN (*Bedford*): It is preventing the former employee giving it.

Mr. THORSON: It is preventing the former employee from disclosing information that he obtained when an employee.

The CHAIRMAN: Except in certain circumstances.

Senator DAVIES: What circumstances?

The CHAIRMAN: There are circumstances in which a former employee may communicate information, the same as a present employee.

Mr. THORSON: You are now discussing the first point?

The CHAIRMAN: Yes, but for the purpose of your general prohibition I agree your general prohibition against communication must attach to former as well as present employees. Whether you do it by definition or incorporate it into that first subsection does not really matter, but having incorporated it as a definition, then when you start providing for communication of information you have a fairly broad field.

Senator GOUIN: It seems to me we would have the solution if instead of referring to subsection 8 we were referring to subsection 7. There is where you have the prohibition. Otherwise your definition applies to every subparagraph of the section.

Senator ASELTINE: Let us hear what Mr. Thorson has to say on this.

Mr. THORSON: First, Mr. Chairman, it is certainly recognized that we are most anxious in this bill to do everything we can to ensure the strict confidentiality of the information received. Therefore, I would certainly not take objection to the aim that the chairman has expressed. But, apart from that, I confess I visualize the situation described by the chairman as being a rather unlikely one.

It really could only arise in a situation where the former employee was in possession of information obtained under the legislation and was passing it on to another such employee in the same state. You would then have to conclude that he was passing it on for the purpose relating to the determination of policy in connection with the formulation of a law of Canada. I confess that strikes me as straining the ordinary meaning of the words.

The CHAIRMAN: Which words?

Mr. THORSON: Particularly the word "policy". I can quite see that it is not further defined in this bill. However, in its context I should have thought that it referred to legislative policy. The words which follow, I think, make that reasonably clear. However, I do not wish to labour this point.

The CHAIRMAN: All I said was that determination of policy means the gathering of information and everything else upon which you make a determination. Therefore, the communication of this information is part of the process of the collection of information, as a result of which it may lead to the determination of policy in relation to the formulation, again in the future, of a law.

Senator MCKEEN: I agree that the point you bring up is an important one but the responsibility should be at the top and the proper time to do it is when an amendment should be made.

Senator ASELTINE: I think we are getting into too many technicalities.

The CHAIRMAN: The honourable senator is entitled to that viewpoint but after all this is the lifting of the veil from information that is classified under the bill as confidential information.

Senator LAMBERT: With what objective? What is the basic objective of this bill?

The CHAIRMAN: I do not know unless the basic purpose of this bill is to obtain information in relation to the ownership and the direction and holdings of corporations. For instance, when we are talking about corporations, to the end that they may be able to appreciate fully the relationship of non-resident ownership as compared with resident ownership, I would have thought that if you were going to state the principal purpose of the bill, that would be the principal purpose.

Subsection 5 says that information may be obtained if you are thinking of trying to settle some policy in relation to foreign investment in Canadian companies, but under the wording of subsection 5 it would not have to stop there, because it does not say "for the purpose of this bill". All it says is "for any purpose relating to the determination of policy".

Senator BROOKS: The suggestion made in regard to an amendment is a good one.

Senator ASELTINE: It might mean, if we added an amendment, it would have to go to the other house.

The CHAIRMAN: There is no problem about that. Is the other house not sitting now?

Senator GOUIN: We merely want to clarify the intention.

The CHAIRMAN: We can report this bill and send it to the other house.

Senator ASELTINE: The other house may never get time to deal with it.

The CHAIRMAN: If it is an important bill they will find time to deal with it.

Senator BROOKS: But this does not change the sense.

The CHAIRMAN: I just want to bring out the principle at top level.

Senator MCKEEN: I move that amendment.

Senator BROOKS: It is a matter of time.

The CHAIRMAN: We can report the bill later today and send it over to the other place.

Senator MOLSON: Why are we so concerned at the possible leak of this information through these various changes of individuals? I cannot see the danger is so great that it needs special provision.

The CHAIRMAN: I might answer that by saying that, first of all, the Government has recognized the importance of this, because they have said that this section B information goes to the Dominion Statistician.

Senator LAMBERT: And is accessible.

The CHAIRMAN: No one can get it except under these provisions. One of the provisions is so broad as to the character of the one who communicates and the one who receives, that I would like that, in that communication, the minister should approve—any minister of the Crown.

Senator MOLSON: Then if one who approves receives and communicates is an authorized official, surely he would come under the legislation then and be in considerable difficulty if he communicated further.

The CHAIRMAN: I am thinking about the first communication.

Senator MOLSON: Yes, but it refers to a procedure. You cannot do any damage with that.

The CHAIRMAN: I do not know. All I want to ensure is that the responsibility would be at the top. I think a minister of the Crown should take the responsibility for directing disclosure of information which the Government itself says is top priority confidential information.

Senator LAMBERT: Under the provisions of this clause, which I am speaking about now, affecting the very vital secrecy of the whole contribution, I do not think there has been anything said about the status and very enviable status which the Bureau of Statistics in this country has attained since it was established some 40 years ago. I would go a long way to protect the Bureau of Statistics from revealing any information which is considered to be vital and confidential.

There are many institutions which employ labour and which do not reveal their financial position either in the form of securities on the public market or in any other way. For that type of institution to be compelled to make returns to a bureau of statistics, where that information might be available to a minister or any other person, a deputy, who might have access to it, would be a dangerous thing, in my opinion.

Senator BROOKS: There would be no effect under this legislation at all.

Senator LAMBERT: It would be just as well, perhaps, if there were not.

The CHAIRMAN: I have been trying to harness both of these ideas—one, that this is Government policy and they think this information should be provided. If that is so, then that should get a full measure of responsibility, in regard to the communication of it. I think you get it if you say that a minister of the Crown gives written approval to the communication.

Senator BROOKS: I am not an authority but that sounds very logical to me.

Senator MACDONALD (*Brantford*): There is a point which has been raised about the timing. From what has been said on the radio and through some members of the press to whom I have spoken, it is likely that Parliament will be dissolved tomorrow afternoon at 6 o'clock. There are quite a number of items on the Order Paper at the other place. Whether there will be time to consider this amendment, I do not know.

The CHAIRMAN: It will take a very few minutes.

Senator MACDONALD (*Brantford*): It may take a few minutes, but from experience of what has taken place over there, it will probably take more than a few minutes. My point is, is it important enough to send this over there and take chance on its not being reached, and then the bill would not come into effect.

Senator ASELTINE: That is the way I look at it.

Senator MACDONALD (*Brantford*): Might it not be better to let the bill go as it is, and then at the next session we could bring in this amendment?

The CHAIRMAN: Who would bring it in? This is the only chance for the bill, as far as we are concerned.

Senator MACDONALD (*Brantford*): No. I do not think there would be anything to prevent the Senate from bringing in the amendment.

Senator ASELTINE: Supposing it was found that it would not work out?

Senator MACDONALD (*Brantford*): Yes, that is the point—the chance of holding up the bill.

The CHAIRMAN: There are still measures in the Commons to be dealt with before dissolution or prorogation or adjournment, and I think they expect that we will have time to deal with those measures. This is a very simple amendment, putting the responsibility on the minister, and it is not distorting the purpose of the bill at all. I think it could be dealt with very quickly. It is true that we could introduce an amendment at the next session, but that does not make it law. If the Commons did not want to take a chance at that time, well, nothing happens.

Senator ISNOR: Mr. Chairman, if we think we are right, we should make the amendment and send it over to the Commons. We have the reputation in the Senate of dealing with matters in that way.

The CHAIRMAN: We have a motion from Senator McKeen to strike out line 41 on page 10, and to substitute the following therefore:

> (5) With the written approval of a minister of the Crown, any official or authorized person may, for any purpose...communicate...

There is the motion. Are you ready for the question?

Hon. SENATORS: Question.

The CHAIRMAN: In favour?

The CLERK OF THE COMMITTEE: Yeas—6. Nays—6.

The CHAIRMAN: I declare the amendment lost.

Shall I report the bill without amendment?

Hon. SENATORS: Agreed.

The committee adjourned.

APPENDIX "A"

THE CANADIAN CHAMBER OF COMMERCE

BOARD OF TRADE BUILDING
MONTREAL 1, QUEBEC

February 8, 1962.

The Honourable E. Davie Fulton,
Minister of Justice and Attorney General,
Parliament Buildings,
Ottawa, Ontario.

Dear Mr. Fulton:

The Executive Council of The Canadian Chamber of Commerce has examined Bill C-38 and it is pleased to note that a number of its representations on the predecessor Bill C-70 have been reflected in the current Bill. The Executive Council wishes, however, in the interests of developing an effective piece of legislation and in the interests of the disclosure of pertinent information in the public interest, to make the following comments and recommendations.

The Canadian Chamber of Commerce is the voluntary federation of more than 850 Boards of Trade and Chambers of Commerce in all parts of Canada. These Boards and Chambers are established to promote the civic, commercial, industrial and agricultural progress of the communities and districts in which they operate. Seventy-five per cent of these Boards and Chambers serve areas of less than 5,000 population. Membership in The Canadian Chamber of Commerce includes representatives of businesses large and small throughout Canada.

This brief is submitted by the Executive Council of The Canadian Chamber of Commerce, which is the body appointed by the National Board of Directors, the governing body of the Chamber, to carry on the ordinary business of the Chamber during the interim between meetings of the Board.

Duplication of Reporting

The Canadian Chamber of Commerce has submitted to the Glassco Commission that continued effort should be directed towards simplifying, minimizing, and consolidating as far as possible, the reports, returns and applications presently required. A considerable amount of information and statistics required under Bill C-38 is already provided by corporations under the various Companies Acts and other statutes, and the Executive Council is of the view that corporations should not be required to file duplicate information. The Executive Council submits that consideration be given to specific exclusions in the Bill of those corporations reporting similar information pursuant to the Companies Act and other statutes provided that such companies might be required to furnish such additional information as is specified under the present Bill. As an alternative, compliance with the requirements of the Bill should be considered as obviating the necessity of a return under the Companies Act or other statutes requiring duplicate information.

Coverage and Reporting Requirements for Trade Unions

(*a*) Coverage

Part II of the Bill refers variously to labour union, union, local union or branch. It is the view of the Executive Council that the Bill should be drawn to make it clear that the reporting requirements for unions not be escaped by the fragmentation of union membership into separately considered entities, rather than as part of a larger group. The Executive Council urges that the Bill clearly provide that all members resident in Canada of the component parts of a union be considered with respect to the "fewer than one hundred members" used for exemption purposes.

(*b*) Reporting Requirements

The examination of the reporting requirements of trade unions as compared with the reporting requirements of corporations indicates that there is not a parity in the respective reporting requirements. For example, a breakdown of professional fees is required of some corporations while no such provision is required of any trade unions. Salaries, fees, etc., are required to be specified for the officers and directors of some companies but no such requirements fall on any trade unions. The Executive Council submits that in general trade unions should be required to report as fully as corporations mutatis mutandis.

The Executive Council notes that trade unions in general are not required in Canada to divulge information under any statute and that this Bill is designed to provide for the first time certain information. It is in the public interest that information be available to the Government on the activities of unions, having in mind the important part they play in the economic life of the nation and the large number of individuals affected by collective agreements. With this in view, the Executive Council submits that subparagraph (ii) of paragraph (b) of Section (9) be amended to strike out the words "in the case of a union having its headquarters situated outside Canada" which would have the effect of bringing within the reporting requirements all the unions in Canada except those with a very small membership. In any event, the paragraph should be amended to provide with respect to unions in Canada that items listed in (A) to (G), inclusive, paid to a "resident outside of Canada" be reported. It is further submitted that the foregoing section provide that a segregation be required of general and trust funds, the amounts of which are sent out of Canada, the purposes for which the funds are used, and the extent of Canadian control over the administration of the money sent abroad.

Regulations

Owing to the discretionary features involved and the important matters likely to be required under Section 4(b)(C), it would be desirable, in the Executive Council's view, to have the proposed regulations made available for public examination before the Bill is passed.

The Executive Council submits the foregoing views in the public interest and trusts that you will give them full consideration with a view to bringing in amendments to the Bill.

Yours sincerely,

F. W. Bradshaw,
Chairman of the
Executive Council.

APPENDIX "B"

CANADIAN LABOUR CONGRESS

100 Argyle Avenue, Ottawa, Canada, CE 2-4293

April 12, 1962

Senator S. A. Hayden,
Senate Commitee on Banking and Commerce,
The Senate,
Ottawa, Ontario.

Dear Senator Hayden:

The Memorandum we submitted to the Government on March 14th contained a section on Bill C-38. I am reproducing that portion of the Memorandum herewith:

> The Corporations and Labour Unions Returns Act
>
> The introduction of Bill C-38 raises once again the objections taken by us when a similar Bill (C-70) was submitted by your goverment last year.
>
> We object in principle to a Bill which gives the impression that corporations and trade unions are institutions so similar in character as to be governed by the same legislation. There is a profound difference in the structure, the lines of authority, the objectives and the general behaviour of corporations and trade unions. It has been well stated that a corporation has no soul; it exists only to make a profit. It is a monolithic, authoritarian entity in which ownership and management have become increasingly divorced, and in which voting power and degree of ownership are directly related. In short, the modern corporation is the end product of the development of large-scale capital investment. It enjoys special legal sanctions and is conceived of as limiting rather than broadening the investors' liabilities.
>
> The trade union, on the contrary, is a voluntary association of workers. The right to vote is equally distributed among its members and elected officers are responsible to them. Its objective is the well-being of the membership, obtained through collective bargaining and other means. It has no commercial incentive comparable to profit-making. In short, the trade union is an association of individuals formed for collective action in an employer-employee relationship. To the extent that legislation has supervened to regulate the conduct of trade unions, it has added to rather than placed limits on their obligations.
>
> The Bill sets out seemingly parallel requirements for information. It divides the information into public and confidential for both groups. It sets up similar enforcement procedures. It thus tends to give the appearance of equal treatment, and confuses equality with equity. This is wrong.
>
> In the case of corporations, a large measure of their anti-social behaviour—as evidenced by the need for anti-combines legislation, for example—is due to their ability to operate in comparative secrecy. Where collective bargaining is concerned, the inability of trade unions to engage

in realistic bargaining on the basis of adequate information about the employer, particularly where the employer is a complex of subsidiaries both Canadian and foreign, is again due to such secrecy. The confidentiality of certain of the information to be required, therefore, will conduce neither to greater public awareness nor to better-informed labour-management relations.

In the case of the trade unions, it is safe to say that no other institution in Canada operates so much in the full blaze of public scrutiny. Union membership figures are published annually by your Department of Labour. Union financial statements are published by most unions or are otherwise made available to members and public alike. Policies are developed in open convention. Collective agreements are reported in the press on their conclusion; the major settlements are described in The Labour Gazette. Accordingly, Bill C-38 is likely to have two effects, neither of them desirable. It will, on the one hand, treat unions like corporations, which they are not. It will, on the other, create trouble and nuisance with respect to the provision of information, some of which is already available to you in one form or another, and a good deal of which is only of questionable value.

Notwithstanding our criticism of Bill C-38, a criticism by no means exhaustive, we refrain from voicing further objections to it here. We are prepared to live with it because we have nothing to hide. We would assume that the legislation will not, either in its provisions or regulations, require the publication of information which will damage a union's collective bargaining status, but apart from that we are prepared to co-operate in every way and to waive confidentiality. To the extent that the public are interested in data as to membership, finances and so on, they are welcome to it.

We reiterate, however, that there is a much greater public interest at stake in wider information about corporate activities than about those of trade unions. Accordingly, we strongly urge that the degree of confidentiality which the Bill proposes is entirely too great and that corporations should be required to operate in full daylight. Considering the pervasive effect of corporate policies—on consumer buying habits, on quality, on prices, on wages, on fiscal policies—it is not too much to ask that the motives behind and results of such policies should be clearly evident. If, therefore, there is to be a Returns Act, let it be one which will have more than academic interest to the great mass of the Canadian people.

There is nonetheless a good deal of detailed criticism of the Bill which the Congress would like to make and feels it should have the right to make, but this is not the appropriate place or occasion. We strongly urge that the Congress and other interested parties be given an opportunity to make formal representations, either to a parliamentary committee or otherwise, before the Bill is enacted.

Our objections to the Bill are, therefore, that it gives the impression that corporations and unions are very much similar institutions, that the Bill will preserve secrecy concerning corporate operations which should be public, and that a good deal of the information to be required of unions is already a matter of public information.

I do not propose to elaborate to any extent on the first point. I will simply repeat that the Bill in its present form is bound to create misunderstanding as to the nature and functions of corporations and trade unions, a misunderstanding which may in time lead to inequities so far as the trade unions are concerned. There has been a considerable body of restrictive labour legislation

in recent years and we would not like to see this particular Bill establish a rationale for any more of it. Basic distinctions exist between corporations and trade unions but there are a great many people in this country who will arrive all too easily at the erroneous conclusion that they are very much alike and should be treated alike. In the interest of public understanding, assuming that the objectives of the Bill are desirable in themselves, it would have been far better if separate pieces of legislation had been drafted, one for corporations and the other for trade unions, each suited to the particular institution to be covered. It may not be too late to do so even now.

It is our impression from an examination of the Bill that this legislation will provide the Government of Canada with much more data on corporations than are now available. I am inclined to say that this is all to the good since it will make for better informed government. Our objection, however, is to the fact that so muct of the information that the corporations would be filing will remain confidential. The people of this country will be no better off than before as to the operation of the many large and foreign corporations which do business here. There is one further problem, namely, that of a union having to deal with a corporation owned abroad concerning whose Canadian financial operation no information is publicly available. It has always been argued that trade unions should be "responsible", that is, they should make reasonable demands and arrive at reasonable compromises with employers. But it is difficult to display such responsibility if there is no way for a union to base its wage demands on reliable information. This, incidentally, is true not only of foreign-owned corporations but of private Canadian corporations.

Quite apart from this collective bargaining aspect, however, we believe that the people of this country are entitled to know more about the way in which corporations operate. Accordingly, much that is included under section 4(*b*) of the Bill, hence confidential in nature, should be transferred to (*a*) of that section. We have in mind such items of information as listed under (*b*) (iii) (E) (F) (G) (H) (J) (K) (L). Information would also be desirable on total wages paid, total salaries paid, total costs of materials, number of employees on wages, number of employees on salaries and other important data in connection with operations.

Turning to Part II, our first point would be that the Bill fails to make a clear distinction under section 2(1) (*c*) between the trade union parent body and the local trade union. As a consequence there is some ambiguity in Part II which may later lead to difficulty. With the present definition of "labour union" in section (2) (1) (*c*), section 9 could be held to require each local union, as well as each parent body, to furnish the information specified in paragraph (*a*), sub-paragraphs (ii), (iii), (iv), (v) and (viii), and the information specified in paragraph (*b*). This could lead to useless duplication, a heavy needless burden of paper work for local union officials, and possibly unintended penalties for non-compliance.

We take strong exception to inclusion to the reference to nationality in section 9 (*a*) (v). We are at a loss to understand why the nationality of any union officer should be a matter of interest or concern. To stress this distinction is to run counter to public policy since both Parliament and provincial Legislatures have enacted legislation aimed at preventing discrimination on the basis of nationality. There are some trade union officers in Canada who are American citizens but I do not see what relevance this has to the operations of the trade unions of this country. By far the vast majority of trade union officers in Canada are Canadian citizens and to single out the few who are not is to make an unnecessary distinction among them.

Section 9(*a*) requires information which is troublesome to compile and of doubtful value in any case. For example, under sub-section (vi) our unions will be required to file names and addresses of each local union and of each

officer of such local union. Since there is a certain amount of turnover in officers, the information will probably be partially obsolete by the time it becomes available for public scrutiny. Apart from that, it simply becomes a free list for those who want to reach our local union officers for purposes of their own. As you may be aware, there was a time when the Labour Department publication, entitled *Labour Organization in Canada*, included a list of all local union officers. It was finally withdrawn at the request of the unions because they were receiving material from sources with no particular interest in the union except to exploit it for their own particular purpose. In the case of paragraph (*a*), subparagraph (viii), I would imagine that the Department of Labour already has a fairly comprehensive list of all employers covered by collective agreements, since the Department has a very extensive file of such agreements. To ask the unions to provide this all over again is an unnecessary burden.

In Section 9 (d) (ii), information is required of international unions not required of those that are purely Canadian in character. This is discriminatory and objectionable on that account. If it is desirable to have the kind of information that is required there, it should be required of all unions, national and international alike.

Your Committee will readily appreciate that there is a considerable variation in the size and in the resources of the unions that would be covered by this Bill. Some are relatively small with very limited staffs. The kind and detail of information required in some instances, particularly lists of local union officers together with their addresses and lists of employers with whom there is a collective agreement, will impose a considerable amount of additional work. By and large, the Bill is bound to be considered an extra burden on union officials particularly when failure to comply involves a penalty. We are not objecting to punitive provisions in legislation for non-compliance. We are simply pointing out that to a busy, even over-worked union official, this Bill is simply an extra chore, especially since it requires him to provide information that he may already have been providing as a matter of course.

As the Canadian Labour Congress indicated in its Memorandum to the Government, the Congress and its unions are prepared to live with the Bill, and will, of course do so if it is enacted. But we have taken exception to the form in which the Bill has been drafted, to its deficiencies and to the unnecessary paper work in which it will involve us. We hope that our objections will therefore receive your Committee's careful consideration.

Sincerely yours,

Claude Jodoin,
President,
Canadian Labour Congress.

APPENDIX "C"

CANADIAN LABOUR CONGRESS

100 Argyle Avenue, Ottawa, Canada

April 16, 1962.

Senator S. A. Hayden,
Senate Committee on Banking and Commerce,
The Senate,
Ottawa, Ontario.

Dear Senator Hayden:

I should like to add a further comment on Bill C-38 in addition to what is contained in my letter to you of April 12th.

For some reason we failed to observe the implications of Section 12 of this Bill. If we understand it properly, the Dominion Statistician could call on any officer or agent of a local union to provide information if such information has not been provided by what would presumably be the Canadian parent body of the local union. It is hardly likely that an officer of a local union would be in a position to provide the information that the Bill calls for, since Local unions are not in the habit of compiling such data. It would therefore be unjust as well as impracticable to retain this particular provision. Where there are several local unions in Canada of a non-complying union, an arbitrary decision would have to be made as to which officer of which local union would be required to provide the desired information. In view of the penalties provided for failure to comply, this is likely to result in a gross injustice to the officer that would be selected, especially if he were unable to provide the information because of lack of access to it.

This same Section points up a criticism made in my letter of April 12th that the Bill fails to distinguish clearly between the parent body and the local union itself. I would therefore suggest that Section 2 (c) of the Bill be revised and that Section 12 be struck out as unjust and inoperative.

Sincerely yours,

Claude Jodoin,
President,
Canadian Labour Congress.